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The CREDIT WORLD

'Small-Merchant' Number



.... Food
for Thought

TREAT YOUR CREDIT
AS A
SACRED TRUST



... of Special Interest ...

to Small Town Merchants and Happy Small Town Folks

... FOR ...

Druggists, Dentists, Grocers,
Hardware Dealers,
and Tire Dealers, Et cetera



"America's Finest Ginger Ale"

A high collection percentage each month is an accomplishment of great benefit to business.

In recognition of this we offer a carton of Busch extra dry ginger ale each month—not just to one but to ten credit men reporting the highest monthly collection percentage anywhere in the United States.

Send in your collection percentages each month to the Credit World and win a carton of America's finest ginger ale.



The high collection percentage winners for August were

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Frank T. Budge Company
Miami, Florida

E. E. Carson
Norton Bros., Inc.
El Paso, Texas

C. Jensen
Crews Beggs Dry Goods Company
Pueblo, Colorado

A. F. Nelan
The Southworth Company
Cleveland, Ohio

Credit Manager
Bond Stores, Inc.
St. Louis, Missouri

K. B. Hobbs
The Pelletier Stores Co.
Topeka, Kansas

A. E. Smith
Roche & Roche
Louisville, Kentucky

E. E. Snyder
Raleigh Haberdasher
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L. R. Pearce
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A quality that sustains an established reputation both for the makers and those who serve

BUSCH EXTRA DRY

A N H E U S E R - B U S C H - - S T . L O U I S

CHARACTER

as treat your Credit
as a SACRED TRUST

NATIONAL RETAIL CREDIT ASSOCIATION

Reproduced through courtesy General Outdoor Adm. Co.

» » So Grows The Tree!

THE BOY, shaped by the forces of daily experience, soon must find his place in the world. Just as he must be carefully trained to take hold of the reins of mature living so must he be wisely tutored in the tenets of personal obligations.

"As the twig is bent, so grows the tree." The living example of the father—the lessons learned at Mother's knee—these are the formative forces of child-character. And character—that keen sense of personal honor and responsibility—is the greatest heritage in the world!

National Retail Credit Association

Executive Offices

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A New Statement Inclosure
(IN FULL COLOR)

Thousands	PRICES	Per Thousand
1 — 4.....		\$3.75
5 — 9.....		3.50
10 — 14.....		3.25
15 — 24.....		3.00
25 — 49.....		2.75

Order Now!
National Retail Credit Association
1218 Olive St. " ST. LOUIS

Just as
The Twig
Is Bent » »

At the Sign of the Shield

In credit stores—in the office of credit men and in the lapel of their coat.—In the Credit Bureaus of the country the suggestion that is tactfully and tastefully presented in this shield will work silently for the betterment of credit conditions.



Symbolization tells the story. In the shape of a shield that stands for protection—dignity of blue to honor, trust and confidence, and glint of the gold lettering, signifying value—worth.

{ *Shields and buttons will soon be available for those who want them . . . This shield is also the identifying symbol of the N.R.C.A. pay promptly advertising.* }

The **CREDIT WORLD**

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

October, 1930

Vol. XIX

No. 2

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This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

CHANGE OF ADDRESS: A request for change of address must reach us at least one month before the date of the issue with which it is to take effect. Duplicate copies cannot be sent without charge to replace those undelivered through failure to send this advance notice. With your new address it is absolutely essential that you also send us your old one. Entered as second-class matter at the post office at St. Louis, Mo., under the Act of March 3, 1879. Published monthly at 1218 Olive Street, St. Louis, Mo. Subscription price, \$2.00 per year.

EDITORIAL OFFICE.....1218 Olive Street, St. Louis, Mo.

A Revolutionary Service for 1931

is announced with

NATIONAL RETAIL CREDIT REPORTS

A MONTHLY SURVEY OF CURRENT CONDITIONS

THE coming year will see the commencement of a great service, a long awaited boon to the retail credit fraternity, to students of business conditions and to others who are watching changes in our national business affairs with expectant eyes. The NATIONAL RETAIL CREDIT ASSOCIATION will with the aid of many of the local credit bureaus in important trade centers, analyze and present a monthly report on current conditions.

PLANS call for a monthly survey of retail credit conditions from reports originated by local credit bureaus specially chosen from a list selected metropolitan and mid-western and Pacific offices which will represent the cream of the national trade centers. Twelve monthly double-page bulletins will bring a digest of retail credit conditions for the reader who is interested in the high-lights; there will be tabulations of carefully chosen and accurately presented statistics from these cities; pertinent editorial comment enlightening the true meaning of these facts will increase the value and usefulness of the service; briefly worded paragraphs will comment on local conditions at certain points, and charts with a monthly map of the country's credit status will comprise the monthly reporting service.

AMERICA owes its supremacy in business affairs to the intensive study it had and is making of internal economic conditions. Statistics, economic facts which are no longer dark secrets will now be available for helpful use. Amid all of the business facts available today there has been nothing which could consistently afford satisfactory current measurement of retail credit progress. Now this is assured.

CREDITOLOGY—we coin the term to mean the science of credit management—revealed in the new monthly bulletin will offer the first means by which interested readers can have accurate knowledge of retailing conditions in every part of the country. By this bulletin service comparisons between comparable cities shown on the tabulated sheet will provide a secure source of learning what similar metropolitan centers are accomplishing.

The NATIONAL RETAIL CREDIT ASSOCIATION through its executives realizes that this monthly service will augment the great work of the United States Department of Commerce in their semi-annual survey of credit conditions. It is desired that this service be heralded to the membership for the great utility which comes from it. The annual subscription cost, less than that for an average magazine, will permit this service pays its own way, yet be an unrecognizable cost for the good which it yields.

◆ ◆ ◆ News of the Month ◆ ◆ ◆

St. Louis

The September meeting of the Associated Retail Credit Men of St. Louis, held at the Coronado Hotel on the eighteenth, was designated as "Jackson night" by the board of directors of the Association, in honor of the election of Mr. C. F. Jackson to the board of directors of the National Association.

A very elaborate entertainment was staged and a beautiful wrist watch was presented to Mr. Jackson as a momento of the occasion.

Hamilton, Ontario, Canada

The Retail Credit Merchants of Hamilton, Ontario, realizing the importance of a central credit clearing exchange, have taken over the Hamilton Credit Bureau, a branch of the Toronto Bureau, and reorganized it into a merchant owned association, under the name, "Hamilton Credit Exchange, Ltd."

Fully equipped offices have been opened in the Landed Banking Building and 150 merchants have already joined the organization.

J. E. Beech, of the Dominion House Furnishing Company, and P. D. Moody, of the Canada Ice & Coal Company, Ltd., have been leading the activity.

A meeting was held on September 26th, at which D. J. Woodlock, Manager-Treasurer of the National Retail Credit Association, was the principal speaker.

New Orleans

A regular monthly business meeting of the Retail Credit Association of New Orleans was held on Tuesday evening, September 16th. The association has just completed the interesting course on credits prepared by the National Association, which was well attended throughout.

Diplomas of credit administration were presented by Mr. William J. Fischer, vice-president of the association, with an appropriate talk to those who passed the examinations.

Champaign, Ill.

The annual banquet of the Champaign County Credit Bureau was held at the Champaign Country Club on October 7th. It was exceptionally well attended by an enthusiastic gathering of merchants and friends. Mr. Finder, the president, presided. Tribute was paid to the able manager, Mrs. Tenna Lambkins, and an extremely interesting playlet, "Charge It," reprinted in this issue, was presented by the members of Mrs. Lambkins' staff. Mr. Frank Hamilton, of the National Office, made the principal address.

Greenville, S. C., and Nashville, Tenn.

The new advertising campaign prepared by the National Retail Credit Association was approved by the merchants of Greenville and Nashville, and will commence in these cities in the very near future.

Milwaukee

On October 23rd, Messrs. A. D. McMullen and D. J. Woodlock will be the principal speakers at the Milwaukee Conference of Retail Credit Men. This is an event of great importance. Both Mr. McMullen and Mr. Woodlock are peculiarly fitted by the character and breadth of their experience to discuss with authority the present credit situation. Through their wide contacts they have a singularly complete and intimate grasp of present-day conditions in all parts of the country.

Mr. Guy Hulse, energetic secretary of the National Retail Credit Association, has just returned from an eastern trip, marked by considerable accomplishment. Mr. Hulse had a very full program that took him to Zanesville, Ohio, Atlantic City, Kingston, New York, Washington, Baltimore, Philadelphia, Pittsburgh, Boston and Cleveland. In each place, Mr. Hulse discussed matters of credit association importance with those men whose interest and opinion are always helpful and dependable.

Zanesville was the location of the Ohio Conference on September 22nd. It was an exceptionally well attended and very interesting meeting. Mr. Hulse then attended the New Jersey Conference at Atlantic City. This was also a very constructive meeting. The New York meeting at Kingston was especially characterized by a proposal of a school of credit to be held in New York City for a week each year in May. Many of the outstanding leaders of credit thought will be brought to New York for this school, regardless of expense, and the lectures each year will be published for the benefit of the entire fraternity.

Mid-West Conference

Sedalia, Mo., will be host to the Mid-West Conference, October 20th to 22nd. This promises to be one of the best gatherings of credit men this season judging from the excellent program that has been planned.

New Members

Frank Caldwell, N. R. C. A. field representative, reports 100 new members for the National Retail Credit Association. A welcome to the new members is hereby extended and congratulations to Frank.

Mr. Earl Wright is also to be congratulated for his consistent work. Every week from five to ten membership applications are received at the National Offices through Mr. Wright's efforts. He has also enlisted several new bureaus in Michigan and Indiana.

CREDITORIALS

Trade Mark registered U. S. Patent Office by Louis I. Grigsby,
General Manager, Philadelphia Credit Bureau

I

Spend

MONEY was made for spending. What would you do with it? Besides spending it, you can save it, invest it or give it away. Stephen Graham, advising college students through the medium of a short editorial in *College Humor*, says spend your money. Do not spend it without thought. But spend it, invest it in yourself.

The generous obtain more life experience than the cautious and thrifty. Upon occasion even the most expensive of personal investments, the extravagances of a young love affair, are justifiable. Even if the affair comes to nothing.

But if you buy books, if you spend your money in travel, if you take lessons and learn to do something, if you buy a gun or a typewriter or an automobile, if you pay to express yourself adequately in your dress or if you buy yourself a tramping outfit, or if you get a camera, or take a course in art, or some culture you invest in yourself and the money is not lost, but comes back to you later in a richer life.

This money business is a game. It is passed to you; you must not hold it. Money ought to have printed on it: "I am for spending, or just use me." Buy a canoe and explore your own rivers and streams; buy a pair of good hiking boots and get out into the Rockies. Go to Arizona and buy a horse and visit the Indians. Buy a car and get about and see these United States, or passage on a steamer and get back to origins in Europe. But don't merely hold the money in your hands and delay the coming of canoe or boats or horse or car or steamer into your life.

Mr. Graham expresses in a romantic way the same philosophy that Calvin Coolidge wrote into his now famous third newspaper article. Wise spending is the way to prosperity. Money is not to be "wasted" or "hoarded," but invested in "spending," and the best spending investment is for things that will enrich and broaden our lives.

At the age of 18 money is some use to you. At the age of 81 it isn't much use. If you believe in your own life and future, why not invest in it—now? You get a high percentage of interest. It is the safest and most justifiable gamble in the world.

II

Unemployment

SPEAKING before the New York Chapter of the N. R. C. A. recently, S. L. Whitestone, comptroller of the General Electric Company, discussed the General Electric Plan to minimize the cause and effect of unemployment. The first step, said the speaker, in solving the problem of unemployment is to use every available means for keeping men at work.

When Business is Increasing

1. Increase working force slowly.
2. Increase number in especially busy departments by transfer from other departments.
3. Resort to overtime before increasing working force.
4. Postpone plant renewal and maintenance work as much as possible in favor of regular production.

When Work Begins to Fall Off

1. Cease hiring at once.
 2. Cut out all possible overtime.
 3. Transfer people from slack to busier departments.
 4. Stimulate sales department to secure business for future delivery.
 5. Build standard apparatus for stock.
 6. Bring stocks at all factory and district warehouses up to a maximum.
 7. Use men on maintenance and repair work.
 8. Cut the normal week gradually by departments to 50 per cent of normal.
 9. Proceed with construction of increased plant facilities previously planned, using own men as far as possible.
 10. Drop new employes with less than year of service. Single persons with no dependents first, always with not less than one week's notice.
 11. Notify employes whether lay-offs are temporary or permanent. If permanent, the usual compensation, if any, should be paid depending on the character of work, age and length of service.
- Coming to that part of the plan which provides for the relief of its workers in periods of slackness, through what might be termed a form of unemployment, insurance or pension, the speaker referred to some of the fundamental principles on which it was built.
1. Joint and equal contributions by employes and the company.
 2. Joint participation in the administration of the plan.
 3. Aid through group action to those workers who are in need or require temporary loans, or who are on part time.
 4. In times of unemployment emergency, co-operation from those not usually affected by unemployment and assistance by the company in equal amount.

III**Breaking the Business Jam**

BREAKING the business jam, as Stuart Chase describes it in *Advertising and Selling*, is a matter of consumer psychology. When the consumer has lost money—particularly by such perplexing and stunning blows as were dealt him in the stock market last fall—he naturally will not buy. He calls a halt. He is through. He will buy what he has to and no more. But after the dizzy period is over it is possible to nurse him forward.

"The jam took form—as always in the business cycle—of a vicious circle. Restricted buying by the consumer results in restricted sales, profit margins are threatened, efforts are made to reduce costs, raw material purchases are reduced, employes are laid off, purchasing power is thus further reduced, sales further

The immediate effect of last summer's drought which covered a third of the area of the United States was a reduction in farm income and therefore is the farmers' purchasing power.

restricted . . . and the recurring decimal begins again. The reason it does not spiral down to minus infinity is that in any race between economic laws and the national stomach, the stomach wins. We have to eat. Below a certain minimum purchasing power will not shrink. When business clears its shelves and adjusts itself to that minimum, the spiral begins slowly to reverse itself and the recurring decimal to run backward."

The only practical means of breaking the vicious circle, Mr. Stuart contends, is by reducing retail prices. You cannot sell the consumer novelties while he is in his present frame of mind, the annual model racket is a total loss, his motto is: to hell with the Joneses; but he will buy necessities, comforts, even moderate luxuries, if quality is maintained *and prices are substantially reduced.* This reduction stimulates the bargain instinct, dear to humanity—stock up while supplies are cheap. With this mood, purchasing power begins to move in the reverse direction; sales in the basic industries of food and clothing pick up, spreading their beneficent influence through other industries; optimism replaces pessimism, and lo! The wheels of business are moving.

IV

The Dreadful Drought

HOW far did the drought extend? William Boyd Craig of *Nation's Business* says the effects of the drought are not limited to the rainless area but they reach you no matter what your business or your locality. The real problem in the drought areas is one of low farm income. With little to sell and prices of farm products thus far this season the lowest in many years many farmers must go without the things they had planned to buy this fall and winter. It will be mighty hard to pay taxes, interest and principal of loans and other obligations. In spite of the greatest leniency foreclosures and bankruptcies are likely to increase.

On the other hand, the income and purchasing power of farmers in other sections will be somewhat higher than if there had been no drought. The price of corn has gone up, and those who have it to sell are benefiting. So is it with hay and feeds. The price of dairy products has risen, too, which helps the farmers of Wisconsin, New England and other dairy sections outside the drought area. But the increased price the get for their products isn't all clear gain.

The practical farmer who must consider cost as well as price has to reckon with the fact that the price of the other farmer's products is a part of his own costs. The higher price of corn affects the cattle feeder. Farmers in the fortunate areas where farm income may be increased because of the drought are likely to buy more. This is a bit of comfort to concerns doing business in both types of farm territory. But direct purchases by farmers are not the only relationship between agriculture and business. For instance, even if prices increase enough to give farmers in other sections enough greater income to make up for what the drought-stricken farmers are losing, it would not do to assume that on this account alone business in general would be exactly where it would have been if the drought hadn't come.

Sears Roebuck and Montgomery Ward—who handle 1.5 per cent of the retail trade of the republic—have announced cuts of 10 to 25 per cent. The J. C. Penney chain stores have announced substantial reductions. Chrysler and Chevrolet advertise lower prices, and so do Frigidaire.

**By Associated Press to
St. Louis Globe-Democrat
Berkeley Cal., Oct. 1**
**—The passing of the
small independent grocery store was predicted
in a survey made public
by the economics department of the University of
California. Monthly
charge accounts, delivery
boys and the business of
cashing personal checks
for the accommodation
of customers were said
by the survey to be
among the features destined
for the discard.**

We can't go on forever speeding up industrial processes and investing new labor saving devices that throw more and more people out of work without creating a problem of progressive unemployment.

V Credit is Increasing Regardless

AN INTERESTING press report states that studies on the Pacific coast point to the decline of the independent grocer. Supporting facts reveal that the economic department of a great western university makes such a statement, believing that chain or co-operative organization will secure the majority of the profitable business.

While we have had no opportunity as yet to make a fair study of the problem and the accompanying report, it does appear from our viewpoint that the public who purchases at retail outlets are not willing to give up convenient service without some sort of a struggle. This survey, made west of the Rocky Mountains, intimates that such factors as monthly charge accounts, delivery service, accommodation by cashing small checks will shortly pass into the discard. In other words, there will be a condition arise there where purchasers will not utilize retail credit.

Considerable conjecture arises as to the fundamental motive for this decision to eliminate retail credit in the grocery field. True, it has been unprofitable for those who have lacked a working knowledge of managing retail credit extension. That is not the fault of the system of merchandising, but the man who operates it. Again, it is admitted the cost of providing credit is a tangible expense which the consumer ultimately pays. The justification for the added expense tacked on to the family grocery bill at the close of the month lies in the convenience which retail credit, properly supervised, offers to the American family. Because there is a pronounced convenience it seems doubtful that many of us who are slaves to short cuts and assisting services will ever willingly surrender the gains we have made in having things done for us.

If we are to allow full acceptance to this statement that the independent grocery cannot exist under current merchandising conditions, then retail credit in that field is in dire peril. While we temper the sayings of the oracle radiating his cry from station WKH in Shreveport perhaps some might feel the full weight of his arguments after reading such a statement that retail credit is being driven out. This seems at some variance with the fact that credit, as a collective service in terms of the money it represents, is known to be increasing at a very encouraging rate. It is difficult to believe that we will see any visible decrease due to changes in the retail grocery field.

VI

It All Began Forty Years Ago

"IT LOOKS to me as if we are in for a period of progressive unemployment that is going to continue for a long time unless we discover entirely new industries to take up the slack in the population," said James Truslow Adams in a discussion the other day with Stuart Chase, Henry Seidel Canby and Howard Mumford Jones, as reported in the *Forum*. "We had our first big change of this sort in 1890 with the closing of the frontier. Before then the

(Continued on page 41)

The Happy Small Town Has Its Opportunities - - - -

...The small town merchant has an economic place but he must study how he can best serve his trading territory.

AMERICA'S future lies in the small town. There will be happiness; more happiness than has ever been the lot of mankind. ". . . not with the mean and vulgar works of man, but with high objects, and enduring things of life and nature."

"During the next generation," Professor Pitkin of Columbia University, writing in the *Household Magazine*, says "every condition of human life that makes for happiness will steadily improve, above all, in small towns. We shall probably witness a great change in leadership," he says. "The men and women who by their native intelligence and their culture and their material prosperity dominate and guide their fellows, will mostly be living in little places."

Three main things make for happy living—a healthy body—an environment which offers fair opportunity for man's normal activities and aspirations; and a community of people who respect each other's individual personality and who co-operate good-naturedly with each other in work and play.

Three most natural virtues of the happy small town are sunshine, quiet and freedom from the



The back stoop...where all is tranquil as a summer sea

pall of smoke. How much we have learned about the power of sunlight in the last five years! It builds health even more richly than its former admirers had supposed. Ultra-violet rays, with their tremendous influence upon the blood and glands make for happy living far more than wealth ever can, and every man, woman and child in a small town that is not too unfavorably located can absorb them far more freely than the city dwellers can. The best rays in sunshine are generally weakened by dust, smoke, and fumes which cut them off in the

city before they reach the ground.—And people who work all day in noisy places become exhausted much more easily than those who work in quiet places, and their skill also declines towards the day's end.

If the American small town had no more to offer man in search of a happy life than these three advantages, they alone would suffice to attract him.

Towns have their own place in the economic and social scheme and have their own opportunities, but if the small town would realize on its opportunity, it must



Where children can walk abroad without being run down

begin not only by knowing its surrounding community and its relation to neighboring towns, but also by specializing on reasonable tasks; and with the picture of the town and its three service zones in mind it should not be difficult for the small town merchant to discover the principle of specialization.

Town Characteristics

"The town has characteristics of the city and of the country, and is situated between the country and the city," says Professor Kolb of Wisconsin University, writing in *The Retailer*. "There are about 19,700 towns of less than 5,000 population in the United States, and nearly 17,500,000 people live

in these towns. These figures mean that one out of six persons lives in a town; 24.5 per cent of the people live in incorporated or unincorporated places of less than 5,000."

The opportunities of the town are threefold, according to Professor Kolb: It is a place to live; it is a distributing station for goods and services, and it is an assembling station for goods and services.

"The town is the place to live, for with one out of six persons in the United States actually living in towns, it is evident that this opportunity is being recognized. Moreover, contrary to general belief, the population of the towns is increasing more rapidly than that of the nation as a whole.

"The town is a distribution station for goods and services. In villages of 250 to 2,500 in the Middle West, 22 per cent of the men over ten years of age, gainfully employed, are in the trades, and 8½ per cent are in public and professional service. The clientele for these goods and services is the rural community. Let no one mis-

take the importance of this opportunity. The farmer and his family are no longer dependent upon strictly local agencies. They are dependent upon the goods and services of the nearest good-sized town for the things which fulfill their modern standards of living.

"The town is an assembling station for goods and services. Thirty-four per cent of its men are employed in manufacturing and 12 per cent in transportation. These goods and services are assembled from the farmer and are passed on for world consumption. The city is the greatest consumer. And between the country and city stands the town; its position is its real opportunity.

Must Know Clientele

"The small town may realize on its opportunities in two ways: first, by knowing the community that surrounds it, and second, by specializing on reasonable tasks. The future of the town depends on its ability to serve its constituency well. But before service can be well rendered, there must be some knowledge of the needs, the characteristics and desires of those who live in the tributary territory.

"The community surrounding the town falls naturally into three zones. The first is the personal service zone; the second, an eco-

(Continued on page 30)



Old-time hamlets have given place to new industrial towns.

CREDIT EXTENSIONS Failures Among RETAIL

Conditions exposed in the Louisville Survey by the U. S. Department of Commerce with an introduction.

By
C. H. JANSEN, Sec.-Mgr.
 of the
National Association of Retail Grocers

A FEW years ago, a friend of mine, who had all the academic knowledge necessary to run a retail grocery business, and in addition to that, had many years of experience as an employee in grocery stores and food markets, was unexpectedly out of a job and thereupon decided that the time had come for him to go into the grocery business as the owner of his own establishment.

By selling the small property which he owned and raising some additional money through a loan from relatives, he managed to secure several thousand dollars, which he proceeded to invest in a grocery store.

The store was located in a section of the city which serves what is generally known as both a good medium and the very high-class trade, and my friend, with excellent judgment, selected a line of merchandise which had a natural appeal to that class of trade. He "knew his groceries" perhaps as well as any other man who ever stepped behind the counter.

His store offered the finest quality of fruits and vegetables and staples. He offered a selection of fancy groceries, which soon gained for him a line of trade

which soon became the envy of his close competitors. He was not lacking in aggressiveness, and boldly solicited the accounts of the rich and the near-rich, and what was finally to prove his undoing, he extended credit without any regard to his working capital with the result that he was soon helplessly floundering around far beyond his depth in waters which he did not understand. *Here was a clear case of business failure due to unwise credit extension.*

Although he had been repeatedly warned that the extension of credit required the investment of additional capital and, second, that the selection of his accounts should

be based upon a dependable credit rating, he continued blissfully to take on one account after the other without heeding advice.

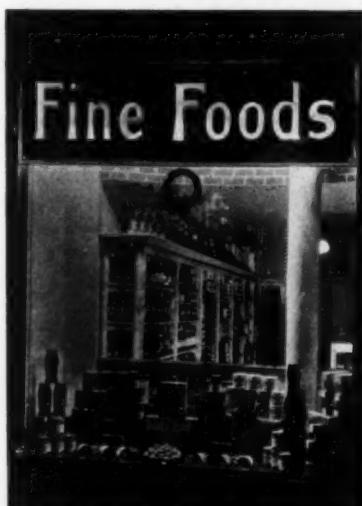
The recent study of credit conditions and causes of failure among grocery retailers in Louisville, Ky., in its summary, states, "Statistical evidence on credit losses proves conclusively that lack of care in granting credit to customers is an important cause of failure among retail grocery stores in Louisville."

This statement, I believe, tells the story of more than 90 per cent of retail grocers whose business is in an impaired condition. This condition is, in my estimation, a very important element in the



What's wrong with this picture? There was so much wrong with the store that it failed. Do you wonder?

and Business GROCERS



This is the same store as shown on the opposite page made successful under new management.

weakness of the individual type of distribution with which that type is chargeable.

Speaking generally, I doubt if the average individual retail grocer is in greater need of anything than proper instruction in the correct principles of credit extension and a realization that this phase, at least, of his business should be under the direction and control of a person or an agency possessing special knowledge, training and facilities.

Many retail grocers do not yet seem to appreciate the fact that when they begin to extend credit, they enter into a field which constitutes a distinct departmental

activity which, to be successful in its operation, and to successfully contribute to the welfare of his business, had better be entirely divorced from his business, in its administration.

I have always liked to consider credit as a *distinct commodity, requiring specialized knowledge in its handling*. This commodity should constitute or have a department all its own. This department should be expected to produce a profit for the business. That profit being a more steady and even, as well as greater volume of business and satisfied customers. The cost of this department to the business, including its operating expense and losses, should not exceed one-half of one per cent of the total handled. That this may be done is attested by thousands of retail grocers who, through their extension of credit, are building a profitable business.

Following are some of the rules with which every retail merchant who contemplates, or who is extending credit, should be familiar:

First—Credit granting is not safe without a due regard for your working capital.

Second—The closer your terms on credit business, the less actual working capital you require and vice versa.

Third—Your capital disposition for accounts receivable must be in such relation to your working capital that your ability to meet every cash requirement will not be impaired.

Fourth—Extend credit only to those who give satisfactory and proven assurance of their ability and intention to meet their obligations when due.

Fifth—Make use of the service available from your local credit bureau.

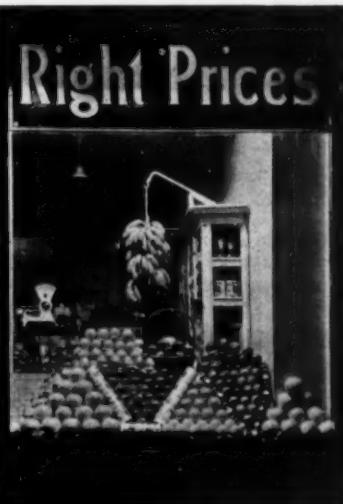


It is a pleasure to sell and a pleasure to buy in a store like this.

Louisville Failures

Business failures are an undeniable burden on the distribution system. A bankrupt business usually represents certain losses to a number of creditors and ultimately, though perhaps indirectly, a loss to the consumer. Failures have occurred in varying proportions ever since there has been business.

Statistical evidence on credit losses proves conclusively that lack of care in granting credit to customers is an important cause of failure among retail grocery stores. An examination of 30 stores in Louisville which were in such condition financially that they were on the verge of bankruptcy showed that as a group they had an average credit loss several times as great as that of the remaining 386 stores which were studied.

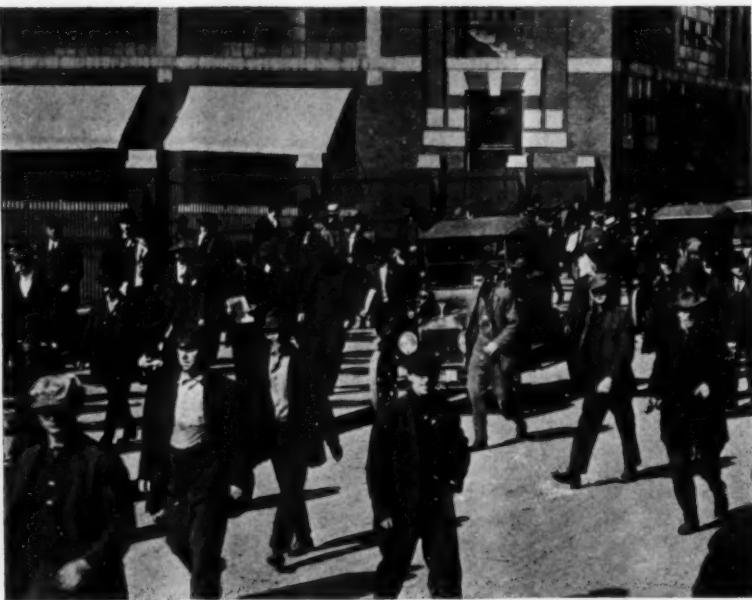


"Right Prices" with attractive display of produce attracts the trade and wins the profits.

Computing a credit loss ratio for each store by taking the ratio of bad debts to total sales (cash and credit), five stores were found with the enormous losses of 3.4, 13.8, 14, 22 and 33.8 per cent, respectively. The average credit loss for well conducted grocery stores is less than .5 per cent. If the credit loss ratio is computed by taking the ratio of bad debts to credit sales, the losses of the five stores were 31.8, 17.5, 19.2, 25 and 37.4 per cent, respectively. In the case of these five stores, easy credit alone was enough to put them out of business. In the case

(Continued on page 32)

The SEVEN DOLLAR WAGE



» » » » is not enough to keep
envied employee in the world

LIVING on Ford's \$7.00 a day is just short of making ends meet by \$7.96. This was the average amount of debt discovered recently in each Ford family by Government investigators, as reported in the *Literary Digest* of August 2nd. In view of the fact that the Ford worker lives better and earns just about twice as much as the average wage earner. It might be presumed that the normal wage earner's annual debt is about \$15, or a total of \$250,000,000.

Although the average wage earner received through 1929 about 58 cents per hour working eight hours a day for six days of the week to earn approximately \$28.00, America is the most generous country in the world to its wage earning class and realizes that prosperity depends on the well being and wealth of the worker. High wages, distribution of profits amongst the workers and the universal prevalence of installment selling whereby the worker is encouraged to purchase his own motor car, etc., are stratagems that have contributed greatly to American prosperity. But when it is realized that the wage earning class takes personal bankruptcy to the extent of 48 per cent of the total

of bankrupts we must conclude that they are a greater credit risk than we are inclined to consider when they are humanely subject under modern day temptations and the urging of zealous merchants to satisfy desire far beyond capacity, while at the same time in jeopardy of being out of work.

Unemployment in America has developed rapidly within the last year. Heretofore it has not been made an issue in this country as in other countries, especially England, where there has been a tendency to advertise and dwell upon this depressing subject, but it is an important matter to credit men. At present there are considerably over 5,000,000 unemployed in the U.



The birthplace of the flivver. Here is a picture rich in historic value as far as the automobiles are concerned.

S. In Germany 2,550,000, and Italy about 300,000.

Henry Ford, it seems, has decided to give his employes in foreign lands the equivalent of the Detroit \$7.00 a day wage, a decision which stirs the interest of many American editors and whips European manufacturing centers into high excitement. Is Ford about to start a social revolution? Will his introduction of a high living standard for his European workmen be the leaven for that Continent's industrial mass?

To work out an equivalent wage scale for the benefit of the European, as we are told, it has been necessary to find out in detail, not only the relative cost of living in Detroit and in the European cities under consideration, but also just how the Detroit worker expended his wages and how his needs and desires differ from a similarly placed European worker.

This task was undertaken by the United States Bureau of Labor Statistics, whose findings, printed in *The Labor Review* of the United States Department of Labor, tell us exactly what the average Ford worker does with his \$7.00 a day wage. One hundred "typical" families were studied.



When consumers demanded a change Ford scrapped millions in equipment and set about to make a new car, but it was necessary to shut down, throwing 100,000 men out of work. The men dismissed were informed that they would be told when to report back to work through the newspapers. The entire automobile industry is keenly alive to consumer demand. To many other industries there is nothing so baffling and disheartening as the changes in what consumers want.

the most out of debt

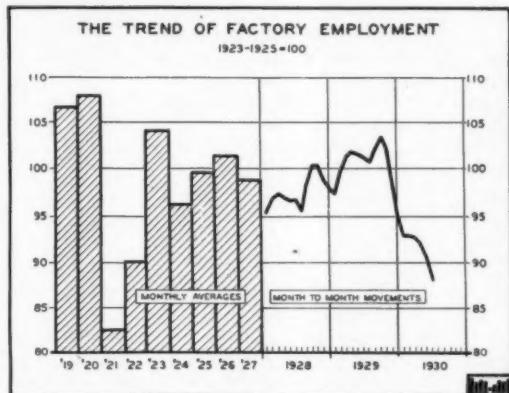
The other day Edsel Ford said in an interview that in the future we would have increases in wages from time to time, but so far as he and his father knew, there would never again be a sudden increase to compare with the \$5.00 wage which his father put into effect in 1914.

Armed with a schedule containing 480 items, the conductors of the survey piled up data which provide unusually interesting reading and material for speculation.

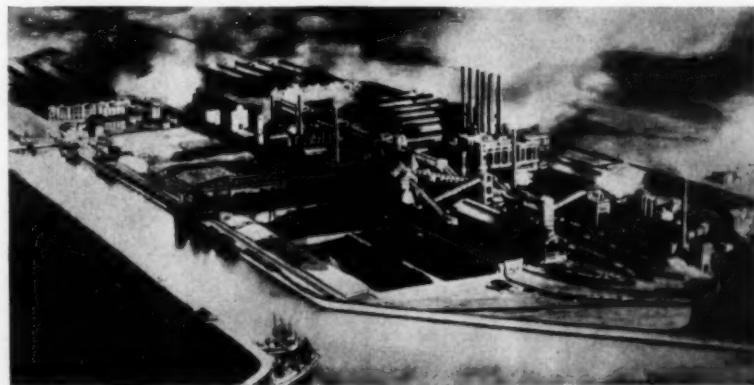
The Ford family's home contains four or five rooms and bath, and faces on an improved street. It is rented.

Anthracite coal was somewhat of a luxury for these families, as only eighteen used it. Thirty-six owned radios; 17 owned washing machines; 87 carried life insurance; expenditure for dental work was incurred by 62. Most of the husbands shaved themselves.

Seventy-nine of the families were church supporters, each contributing \$12.17 during the year.



The chart above is from figures compiled by the Federal Reserve Board representing twelve industries.



Ford's Plant at River Rouge, Detroit, here shows some improvements over the plant in which he made his first gas car. A capital of \$28,000 grew to \$277,542,208 in sixteen years.

The automobile is becoming more and more a part of the family equipment for recreation. Forty-seven of these working men's families owned cars. Seventeen families purchased automobiles, new or second hand, during 1929, and two families purchased their cars in 1928, but completed the payments in 1929. Upkeep on cars averaged \$78.02 for the 47 families reporting this expense.

With an average income of \$1,719.83 a year for an average family of 4.5, expenditures run like this:

	Annual Cost	Percentage of Income
Food	\$ 556.12	32.3
Clothing	210.67	12.2
Housing	388.81	22.6
Fuel and light.....	103.20	6.0
Furnishings	88.55	5.2
Life insurance.....	59.16	3.4
Street car and bus fares.....	37.40	2.2
Expenses of sickness	64.73	3.8
School expenses ...	6.41	.4
Cleaning supplies .	16.64	1.0
Barber	12.37	.7
Misc. expenses.....	175.77	10.2
Total expenses	\$1,719.83	100.0

While nineteen of the families "came out even" at the end of the year, living on their income, but saving nothing forty-four families had living expenses above their incomes, and closed the year with an average deficit of \$130.74. On the other hand, thirty-three families were able to make an average saving of \$133.96.

The expenditures for clothing are illuminating, and it may surprise you to learn that husbands spent more for this item than did their wives, the expenditures being \$63.59 and \$59.21, respect-

(Continued on page 34)

"CONSUMER CREDIT INDUSTRY"

By

E. E. McINTYRE
Credit Manager
McGoldrick - Sanderson Co.
SPOKANE, WASH.

TODAY, the great tire manufacturers, whether their policy be the maintenance of their own retail outlets or distribution of their product through the independent dealer, are face to face with the consumer credit problem. In the case of the retail tire store, owned or controlled by the manufacturer it presents a direct problem while when the second method is used the problem is only slightly less for the obvious reason that liquidity of the dealers receivables is merely insurance of the manufacturer's account. There is, as has been readily learned, a vast difference in the control of the credit extended to the dealer than that extended by the dealer. The first, in the tire industry, is handled by district offices with the credit executive granting or curtailing extensions to the dealer along accepted practices and methods of wholesalers. The second must, to be handled successfully, be extended and controlled at the source and is impossible of centralized control over a given territory. The reasons for this are: the lack of speed in making authorization, impairment of collection efficiency and third, price competition.

Speed is the first essential. Speed in obtaining the necessary facts to

intelligently grant the credit and then the actual extension. All this must, in these days of modern consumer credit, be accomplished in minutes, whereas centralized control would require days.

Collections to be efficient must be up to the minute and must be accompanied by the personal element which is also impossible under centralized control, except through the territory salesman, a very unsatisfactory practice which becomes a great deal of a boomerang.

The last is the matter of price competition. I do not believe that anywhere in industry is the matter of price more held up to the dealer as a matter of necessity and of ethics, and more consistently vio-

lated. This is due in a great measure to the manufacturers insistent and always increasing pressure upon the dealer for volume. In the face of this price cutting, Mr. Consumer wants his tires as cheaply as possible, on the best terms that can be given, IMMEDIATELY.

This presents two problems which I might mention, the first being the small truck operator, hauler or logger, and the second is the average wage earning individual who, struggling to meet the payments on his house, furniture, radio AND car and is in need of a new set of tires.

I believe the first is undoubtedly the greatest problem that the retail credit executive in the tire business has to face. This man



The author of this story in action

IN THE TIRE

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Two problems of credit confront the tire dealer the small truck operator, hauler or logger, and the second is the average wage earning individual who, struggling to meet the payments on his house, furniture, radio and car and is in need of a new set of tires.



has one or two or more trucks—very rarely paid for. Of necessity a rover, he has no tangible assets, operating a highly seasonal and speculative business but, worst of all, due to the loose credit methods practiced by the tire dealers with whom he has dealt in the past, he has no sense of responsibility towards payment of obligations. He asks—and gets it—that you extend upon a definite term of payment, usually before the approach of winter, and then, if he cannot conveniently meet the account, you are asked and expected to carry him over to the next year. AND THE DEALER DOES IT, for two reasons: first, to obtain that volume that he is always being pressed for, and second, because the competitor will do it if he does not. The problem involved in the second instance, that of the individual who is already loaded fully to his capacity to pay is a common enough one, but is one which taxes the qualifications of the credit executive to obtain this volume and at the same time avoid disastrous credit loss.

With these problems the manufacturer is naturally endeavoring to set up standard, conservative policies and standardized routine in the handling and extension of consumer credit. In other words, the consumer credit procedure in the tire industry is just in process of formation. With some manufacturers this has already developed to a great degree, while with others it is still largely in the experimental stage. One mistake that appears to be made frequently is the pressing into service of credit executives who have managed the wholesale end of the credit business for years and on these men's shoulders is placed the responsibility of developing proper consumer credit procedure. With all due respect to our brother wholesale credit executives, they are not prepared, with the equipment that they have used in their years of extension, to solve these problems of consumer credit, as we are not prepared and equipped to handle wholesale credit extension.

In the forefront of the formation of consumer tire credit procedure is, or should be, the contact with organizations equipped to furnish the facts necessary to intelligently extend. This contact should be made with the local retail credit organization and not

rely upon that bugbear of the retail credit executive, the direct inquiry, or place the burden of developing the necessary information upon the mercantile agencies. The first alternative is not only vicious and may lead, as is well known, to serious consequences, while the second does not give the necessary information for the reason that they are not equipped to furnish it in competition with the average local credit bureau. In addition, judging from personal interviews with managers of such agencies I do not believe that they are very anxious to handle such business. On the other hand, the local retail organization is fully equipped to do this very thing with these advantages: Speed, control, availability, collection assistance, indirect returns, elevation of standard of customers, development of new business. Let me cite instances which will give clear-cut pictures of these advantages.

Ninety per cent of the applications that are cleared over my desk want their tires immediately. Their car is waiting for the change-over as soon as the O. K. is received. It then becomes necessary to rely upon a service which can give us, while the telephone is held, facts which will intelligently extend or curtail the account. These can only be given, first, by a retail credit bureau, and second, by a bureau whose files are up to date, listing the complete five component parts of the retail credit report: Identity, history, reputation, resources and credit record. Retail credit executives demand this information while the telephone is held, available on the instant.

Control after the extension is made is more easily maintained, for we are able, when an account becomes in arrears, to revise our information through a fresh report or clearance of the name at regular meetings of the credit fraternity. This information thus obtained gives us the necessary material to properly handle or control the account after extension.

Availability of information under any and all circumstances and from any part of the surrounding territory is another requirement and is one of the functions of the retail credit bureau. This information must come up to a stand-

(Continued on page 40)

What About the Credit Association for Dentists?

By ARTHUR P. LOVETT

Credit Manager of Hettinger Bros.,
Kansas City--2nd Vice-President
of the National Retail Credit Asso-
ciation--recognized as a Credit
Authority by the Dental Profession.

I AM endeavoring to give you in this article the aims and objects of the National Retail Credit Association and its affiliated bureaus which cover the entire United States.

The dental depots in the past have endeavored to depend entirely on their dealings with their customers as to what credit ratings they give them and what line of credit they have extended to them. It would seem that it would not matter to the dental depots how much money a man owed to other business houses.

I claim that it makes all the difference in the world as to whether the man is paying his other accounts and letting the dental depot carry the bag, because my experience with credit men all over this country is that the dentist has been considered a slow and unprofitable account, and the consequence is every credit man when he gets a dentist on his books is right on his toes in regard to the account and forces collection.

Again from my experience it has been a fact that the average dentist keeps his department store, his clothing bills, etc., paid up, and the same man owes his dental depot \$300, \$400, \$500 or \$600, paying usually his current bill, or in other words, what he has purchased each month, but the dental depots are financing this man to the tune of \$500.00 to \$600.00.

If the credit men in the dental depots would co-operate and

*Times Have Changed
an Ancient Tooth Extractor*

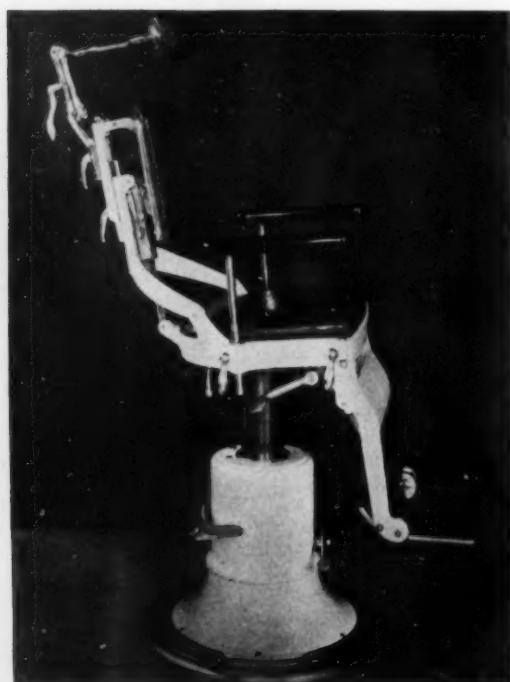


join the local retail credit associations in the cities all over the country there would be an opportunity for them to get the exact paying status of their customers and thereby be guided accordingly in their own bills.

In all other lines of business today where a man is buying merchandise on a regular open charge account and also buying on the installment basis and seeks other credit at an installment house or otherwise, the up-to-date credit man is making minute inquiries into his paying record and there are cases where on strict investigation the customer has already obligated himself, it is found, to pay more than his income.

A case like this came to the writer's attention some short time ago. Here was a man wanting to buy a Ford car. His income was \$75.00 per week and his obligations already were—radio, home, washing machine and furniture amounting to \$80.00 per week—or in other words, \$5.00 more than his salary. Yet he was seeking to buy an automobile with a payment of \$35.00 per month.

The credit man with the automobile firm laid these facts before the customer and told him that every automobile company in the city was a member of the Retail Credit Association and could get exactly the same information he



The patient that will sit in this chair is either an asset or a liability, according to the way he pays. Make him a positive asset by consulting the Credit Bureau first.



Considering the great benefits of dentistry and the relief that the dentist brings to suffering humanity, it is a fact to be deplored that so many people let the dentist wait for his money.

the California Credit Bureau, they would get the report through the New York Credit Bureau, and if this man had left a bad record behind him, the facts could be obtained quickly and the dental depots could save themselves a great deal of trouble and expense.

It might not mean you would not do business with this man, but you could sell him equipment if he wished to purchase and you could make arrangements with him at the time you would not sell on the minimum payment and that you would get a good equity in the equipment if sold. Then the open account could be limited to a certain amount. For illustration, we would give a case of a man who moved into our territory from a state about five hundred miles away.

This man put in a long distance call to our store and wished to have a salesman call on him at once as he wished to place an order for between \$900 and \$1,000 worth of laboratory equipment. We immediately checked his record

A brush every day keeps the dentist away. Dentists, true to the honor and nobility of their calling, encourage prevention.



through our local credit bureau and their report was as follows:

This man had taken bankruptcy in Minnesota to the tune of \$20,000.00. His credit record was that he owed three past due payments on his car. He had been refused credit by a jewelry house. He had borrowed \$50.00 from an industrial bank and here we want to call your attention to the fact that this man wanted to buy from \$900.00 to \$1,000.00 worth of equipment. Yet he was so hard up he had borrowed \$50.00 from an industrial bank.

Our instructions to our salesman were that he was to call and see this man, but sell him C. O. D. only. We obtained an order from him for \$290.00 worth of merchandise on a C. O. D. basis. Why? Because this man had everything ready to start a clinic and it was absolutely necessary that he get this material and get it at once. Did this man make a success in this town? No. But he did obtain \$5,000.00 worth of credit from the local merchants. Why? Because these merchants did not clear this man's record through the credit bureau, many of

(Continued on page 39)

Here is a metalix dental outfit for X-raying bad teeth. The bureau is the X-ray for bad pay.



The dental depots in the past have endeavored to depend entirely on their dealings with their customers as to what credit ratings they give them and what line of credit they have extended to them. It would seem that it would not matter to the dental depots how much money a man owed to other business houses. But this is the index as to his character and paying habits.

had been able to obtain and that he did not believe any company in the city would sell him a car, pointing out to him the fact if he did buy a car and the automobile or finance company handling the paper realized his obligations, they would without a doubt force him to pay his payments every month or take his car. If he bought his car then he would be bound to drop back in his payments on his home, washing machine, radio or his furniture, and someone would foreclose on him.

This man cancelled his order and twelve months later when his financial condition was in better shape bought from the same company and the reason he did that was the fact that the credit man had in a friendly spirit showed the serious condition he would get himself into if he made the purchase as contemplated at that time.

Dental dealers all over the country are selling men that moved from other places and left unpaid bills. In many cases absolutely no inquiry as to their records was made at all and thousands of dollars could be saved for the dental depots every year if there was more co-operation between the dental depots and if the dental depots all over the United States joined their local associations and cleared their records through these local associations, so if a man leaving New York State moved to California and the record was cleared through

The DRUG STORE

(An American Institution)



» » Retailer to the Sick and Invalid

OPERATED by college trained, professional men whose primary service is to the sick and invalid, the "pharmacy" has become the typical American institution—the corner drug store. It is today, in fact, a department store filled with convenient merchandise, serving sick and well, young and old, seven days a week, and from 14 to 16 hours each day.

Four factors have contributed to make the drug store important to both American life and to American business. These are: (1) The public, (2) druggists as business men, (3) drug trade manufacturers and (4) the power of advertising.

The public has demanded convenient locations of drug stores, long hours and an almost endless variety of convenience needs instantly procurable at the nearest drug store.

Druggists as business men have met the public's demands and have exercised their ingenuity in tempting increased spending by the public—with a constantly increasing variety of merchandise.

Manufacturers attracted by 60,000 and more new retail outlets for their merchandise have aggres-

By
Kind permission of the Publishers
of Drug Topics

sively sold to and through these drug stores.

And the great power of advertising either specifically or infering, "obtainable at your druggists," has added its acceleration. Far more millions of dollars in advertising are used each year to send people into drug stores than to invite them to visit any other character of retail outlet.

Number of Drug Stores

A survey just completed by the Topics Publishing Co. accurately places the number of drug stores in the United States as 61,865; 57,812 are independently operated by their druggist owners; 4,053 are chain stores owned by 523 chain combinations.

The year 1927 alone saw 3,884 new drug stores. In the same year 2,661 drug stores went out of business. A net gain of 1,223 drug stores for the year. In the same time there were 5,497 changes of ownership or addresses. A total

"turnover" of 12,042 or almost 20 per cent within one year.

The most authentic estimate yet made of the annual volume of business done by the drug stores of the country is revealed through the May, 1928, Census of Distribution made by the Chamber of Commerce of the United States.

While this census or survey covered only eleven selected cities, its methods were more painstaking than was the case with any preceding it. The Chamber of Commerce of the United States studied a total of 4,397 retail drug stores or approximately 7 per cent of the drug stores of the country. And as its survey included all drug stores—small and large, downtown and neighborhood, in different sections of the country and under varying general business conditions, its findings may be extended for the entire retail drug trade with an approximate degree of accuracy.

This governmental survey indicated that the total of 4,397 drug stores covered did a total volume of \$155,892,200—an average of \$35,454 per drug store per year.



Of the 4,397 stores, 3,876 were independently owned and did \$109,348,300 annually. Five hundred and twenty-one stores were chain owned and did \$46,-543,900 a year. These figures averaged, per year—

Independent drug store.....	\$28,211.92
Chain drug store.....	89,335.70

These averages are confirmed by the opinions of many long experienced in drug trade merchandising and extending them by the country's 57,812 independent stores and 4,053 chain stores, we arrive at the following totals:

Totals	
57,812 Independents	\$1,630,987,519.04
4,053 Chain stores.....	362,077,592.10
Total retail drug stores.....	1,993,065,111.14



In Towns of 10,000 or less



Over 500,000



100,000 to 500,000



25,000 to 100,000



10,000 to 25,000

Percentage of Drug Stores According to Population

Number of Drug Stores According to Size of City

Places of	Population (1920 Census)	Per- centage	Number of Drug Stores (Approximate)	Per- centage
Over 500,000	16,369,301	15	12,373	20
100,000 to 500,000	11,060,025	10	9,280	15
25,000 to 100,000	10,340,788	10	7,425	12
10,000 to 25,000	6,942,742	6	4,948	8
* 5,000 to 10,000	4,997,794	5	3,712	6
* 2,500 to 5,000	4,593,953	5	4,330	7
* Less than 2,500	51,406,017	49	19,797	32
Total.....	105,571,062	100	61,865	100

*Forty-five per cent of all drug stores are located in towns of 10,000 or less. This same classification includes 59 per cent of the entire population. Its buying power is credited with the purchase of more than 60 per cent of all automobiles sold in the United States.

Character of Business Divided

	Approximate Percentage	Amount
Proprietaries (medicines, etc.)	28	\$558,058,231.12
Prescriptions, drugs and chemicals.....	14	279,029,115.55
Toilet goods	15	298,959,766.68
Sundries and miscellaneous.....	18	358,751,720.00
Soda fountain and candy.....	20	398,613,022.23
Cigars, Cigarettes, etc.....	5	99,653,255.56
		\$1,993,065,111.14

Location of Drug Stores

DISTRIBUTION BY POPULATION

Compared to population drug stores have increased rapidly in the past twenty years. In 1910 there was approximately one drug store to each 2500 people. With the increased popularity and patronage of the drug store soda fountain and with the greater variety of merchandise sold by drug stores the ratio has decreased to one drug store for less than 2000 population.

The ratio of drug stores for the entire country is 1—1,939 with a scale of variations by different states from 1—1,136 (Vermont) to 1—3,395 (South Carolina).

These ratios apply approximately for both city and rural districts. The most recent Topics Publishing Co. survey to determine location of drug stores by size of towns and cities wherein located is indicated at the top of this page.



The Druggist



The Retailer

The druggist works longer than any other retailer. Out of 168 hours (one week) the druggist is in his store 105 hours. Other retailers are in their stores only 60 hours.

City Drug Stores vs. Country Drug Stores

Many misleading statements have been advanced by interested parties to create the impression that only big city druggists are well rated and do a volume of business worth soliciting. And that small town druggists are poor credit risks doing little or no business.

Wholesale druggists and also large manufacturers in intimate contact with the entire drug trade know from experience that the reverse of these baseless claims is nearer the actual facts.

To enable a true analysis we offer the following actual statistics as revealed by one recognized credit rating guide for the year 1928.

(Continued on page 36)

The VEERING FLAW

By HORACE W. POTE

» » » and he watched how the Veering

AGAIN the popular subject of the month is the position of general business at this writing. Disregarding the mechanics with which the business economist measures changes in business activity it is noticeable that there is a brighter tone of sensible optimism in the daily press. William Green, head of the American Federation of Labor, is quoted as voicing an evident improvement in the ranks of the union employed. This does not mean that their ranks are again restored 100 per cent, but there is a feeling of confidence that the movement is in the right direction. With the opening of the production season in the Detroit automotive industries there has been a very beneficial quickening of employment. The building groups are still in the doledrums because there is a surplus of good space both for commercial and residential needs. Extra effort put

behind state, federal and public service projects is helping to maintain a portion of the construction specialists required for those tasks, however, the winter coming over the horizon rings down the curtain for any appreciable volume of building until spring. The fact that architects' boards are free substantiates this belief. Those of the retailing trades have one redeeming salvation . . . home modernization. If such trades possess the necessary merchandising ability which has been absent in the past, there are chances that they can keep ahead of the red ink.

The chart on page 15 of data compiled by the Federal Reserve Board shows the position of employment figures representing the situation in twelve industries. While one can expect to see the middle of this year at a low position the condition is by no means as discouraging as was experi-

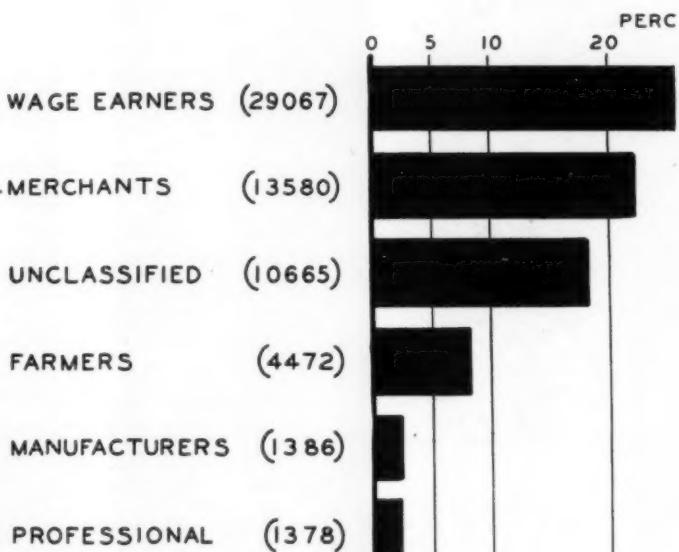
enced in 1921. It seems that the average for this year will be above that for 1922.

The retail credit fraternity is naturally interested in the return of mass buying and the increasing use of credit accounts. The depression period which has been hovering

PLACED IN BANKRUPTCY IN 1930

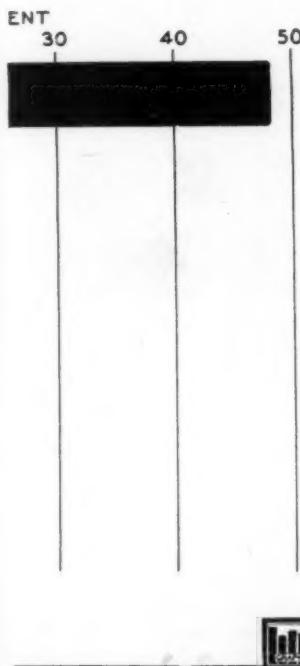


ANALYSIS OF NATIONAL BANK FISCAL YEAR ENDING JUNE 30,



BROUPTCIES

1930



Flaw did Blow

over us and is now gradually being dispelled has not left the country in a paralyzed condition as some would think. The best explanation is to consider the buyer with available funds as timid. In reading of declining employment too many have been struck with a fanciful vision that such might happen to them, therefore it is best to hoard wealth and restrict pur-

RECOVERED
IN 1930



With an agreed knowledge of what is wrong how are we to proceed to correct these evils?

chases to the bare necessities. This is hardly an economical problem for the solution can best be obtained by a study of the psychological phases. Just as the mother hen will call to her little chicks once a threatening hawk is spied so do people who really have no cause to fear rush their purchasing power under cover as a temporary period of depression appears.

Obviously there is a cure which can be advised for remedying this stale-mate condition. Since the purchaser is timid he must be coaxed out of the shell. Again, because he is a constant seeker of bargains that is the best medium with which to disperse his qualms. The many sales which large stores in our metropolitan centers have been heralding bears out the wisdom of this reasoning.

The interesting details revealed by the three published pamphlets dealing with the recent Retail Credit Survey prove that the business cycle is not the sole enemy of profitable credit operations. From such sources we are learning that there are incompetencies which are gradually defeating the best efforts of honest management. Regardless what current business conditions would be, such lack of talent to do profitable business has and in many cases is destroying all future hopes of gain. The surveys conducted by the U. S. Department of Commerce have thus diagnosed the ills of portions of the retail credit business, and that is one step in the right direction, but what next? With an agreed knowledge of what is wrong, how are we to proceed to correct these evils? Waiting for some one to come forward and suggest remedies is not always a very satisfactory measure. Unless there can be some quick check established which will halt the inroad of credit losses now sweeping the country the sum will accumulate to an astounding figure. There is no relief from the accusation of poor business methods when one takes shelter in the knowledge that the statistical percentage of loss is low in comparison with the total volume of credit business handled. Why have any loss? Just as humanity labors in research and constant investigation to staunch the loss of life by disease why not awaken to the same wisdom and work for a re-

duction, eventually the complete eradication of credit diseases?

There is still much to be done by way of credit studies that the national studies could never approach. In many of the larger cities of this country where ample funds are available or could easily be collected there is evident need for a deeper insight into the labyrinth of credit procedures and results. Just as in management problems affecting the results of industrial policies those who adopt research measures are generally head and shoulders above those who shut their eyes to the desire to search out facts. Balance sheets tell the story in shortest and most forceful lines.

◆

Those of the executives who pride themselves in their understanding and regular observation of business ups and downs rely on the movements of some twenty or thirty well known barometers of trade. These are statistical tabulations which report relative changes in certain industries or enterprises. With a sprinkling of human nature understanding it is possible to follow the changes of these figures and thus watch the directional movement up or down, giving proper interpretation, as the case may be. It seems regrettable that the credit fraternity has no trade barometer of its own. There is no current knowledge of the national changes in retail credit available. Some by sampling certain cities have gotten a bird's-eye view of it, but that is not enough to flash on the screen as a picture of national conditions.

It is so apparent that there is a great need for such a tabulation that the association is now studying ways and means by which some sectional and, eventually, national index of retail credit might be devised for the use of its membership and the business world at large. It is their hope that co-operative plans will make possible some plan of reporting local conditions from a large number of important trade centers where comparative view can be established for the use of the association members. This undoubtedly is an answer to the progressive desire to know more of credit conditions and thus formulate practical plans for improving local operations. (Continued on page 31)

SUPERVISING Collection

Benefits the Small Merchants and Retail Industry at Large * * *

By JOHN L. CHEW

FOR two years the National Retail Credit Association has been endeavoring to provide a means of safeguarding the credit extension of this nation through a properly organized and developed system of collection reinforcement through a nationally controlled and developed chain of agencies to handle the collection business of the retail industry of the United States.

This task has steadily advanced in its development and at the national convention in Toronto last June a definite program was adopted and has been installed in the National Offices at St. Louis. Under this program a chain, if you please, of collection organizations, operating from the largest cities to the smallest villages in the country, will be merged together into a membership in the National Retail Credit Association, Collection Department, for the purpose of bringing together into one co-ordinate body an army of experienced, efficient and honest collection units which will at all times serve both the retail industry and the professional element of the business of this country.

Already the work of building this department has been commenced. The response for charter members in this new program has been most satisfactory, and during the succeeding three months of this year it is our earnest hope and desire to secure the affiliation in membership in this department of at least two thousand collection units, scattered from coast to coast. As the work progresses, the membership of this department will automatically increase as the need requires until eventually every village, town and city in the country will have a membership, all co-ordinating together for a common purpose under the surveillance of the National Association and working in unity for the sole purpose of safeguarding the credit extension of this country by the proper control and collection of credit once extended.

There are thousands of small villages and towns in this country extending credit to applicants that are recognized as worthy, which tomorrow may become unworthy of such credit and abscond from that community. Such a credit risk can immediately be followed through the channels of this department and the account placed in the hands of an honest and efficient operator at the point where the applicant has removed. The consequences are self-evident and all to the advantage of the small merchant who will, by such a co-ordination and unity of action, realize his money on his bad account, and consequently decrease his loss for the period of that year.

In order to accomplish this result, and to succeed in developing such a department from a national scope, it becomes necessary to have the full co-opera-

There are thousands of small villages and towns in this country extending credit to applicants that are recognized as worthy, which tomorrow may become unworthy of such credit and abscond from that community.

Heretofore business in this particular phase has never co-operated, but such accounts as needed collection attention have been scattered to different collection agencies, without due respect to their efficiency, trustworthiness or honesty.

If you know of an honest and efficient collection bureau that should be a member of this department, we request that you send this information to the National Offices.

tion and support of the merchants engaged in the retail industry of this country and the professional men extending credit for their services. This department has been planned and is being built solely for the benefit and protection of retail industry, and unless their full co-operation is given to the local member in every immediate community the full purposes for which we are organized can never be realized.

Heretofore business in this particular phase has never co-operated, but such accounts as needed collection attention have been scattered to different collection agencies, without due respect to their efficiency, trustworthiness or honesty. Under the program developed this business will all be controlled and brought into one great channel, where it will be handled by members of the National Retail Credit Association, all operating under surety bond, indemnifying and guaranteeing anyone transacting business with them against loss by reason of dishonesty. This in itself is the most stupendous collection program for the handling of consumer accounts that has ever been attempted in the United States.

Were it not for the great progress made by the Service Department of the National Retail Credit Association in the years gone by, this program could not be sponsored with any hope of success. However, when we realize that in a few short years the National Association has grown from a small idea into a reality, reaching into every city and town in the United States, and extensively operating in Canada and Europe, we can see the possibility of developing a great National Collection Department along the same lines and with the same degree of success and benefits to all who transact business with it.

This department is now accepting applications for charter members, and will continue to do so until January 1, 1931, at which time such applicants who have been accepted to membership will be formulated into a National Collection roster and bonded under the National Bonding System. Thereafter applicants will be accepted until such time as the department has received and is comprised of a membership that reach the demands of retail industry.

In conclusion, we wish to secure your co-operation in this work, and especially in the securing of proper membership. If you know of an honest and efficient collection bureau that should be a member of this department, we request that you send this information to the National Offices, and if, perchance, this message reaches those collection bureaus throughout the country, who desire to become affiliated, then we ask that you immediately write the National Offices in order that the proper application blank can be mailed to you, together with a copy of the rules and regulations. If those who read this article will but give it five minutes of their time and thought, then act upon it, notifying the National Offices, we can immediately get in touch with hundreds or thousands of efficient collection agencies that we today are not familiar with and do not have the proper data to enable us to communicate with them.

THIS IS YOUR DEPARTMENT, IT IS BUILT TO SERVE YOU, IT WILL BE MAINTAINED TO BENEFIT YOU, and in return we ask your kind and sincere co-operation and assistance in the development of this work, which is a decided benefit to creditor and debtor, alike, in the United States.

Building a Filling Station Business « « with Novel Credit System



Bonnie's Service Station at Grand Junction is a "credit" station, serving an immediate population of about 15,000, but considerable business from an agricultural tributary population is also enjoyed.

OVER at Grand Junction, Colo., about as far West in that state as a motorist can drive without rolling over into Utah, one C. G. Bonnievie, proprietor of Bonnie's Service Station, Seventh and Main streets, has built up in the short period of a year a surprisingly large, yet profitable, credit business for his establishment.

Bonnie, as the genial service station proprietor is familiarly called by his host of friends and acquaintances, wants and tries for credit business. But his system differs in many instances from the credit business of others following his line of business.

Sixty per cent of Mr. Bonnievie's business is done on credit basis. Yet loss from this source has never exceeded one-half of one per cent.

"It takes a careful analysis of the credit system to keep the loss down," Mr. Bonnievie explained. "However, if handled properly, it keeps sales up. The cash customer in our business is anybody's customer. The way to get the gasoline and oil 'shopper' is to extend

credit to him if he is trustworthy. That our system in ascertaining whether or not the customer is trustworthy has proven satisfactory is evidenced by the small loss that we take as a result of extending credit. It totals less than one-half of one per cent."

Bonnie's singular success with the credit business is due to the fact that he hand picks his credit customers.

"If a man pays cash at our station occasionally for gas; if his car is worth \$1,000 or over; if his credit rating is good with the Mesa County Credit Association, then he is a prospect for us," the proprietor explained. "I write the customer a personal letter and tell him that we would like to have him open an account with us. I play up the fact that he can tell exactly what the upkeep on his car costs him by using a credit account, without the necessity of keeping books for himself on what he spends for gas, oil, batteries, greasing, washing, tire repairs, etc.

"In the letter it is suggested that the man set a credit limit for himself. If he doesn't want his bill

80% of Mr. Bonnievie's Credit Accounts have been paid by the 17th of the month. » »

By
IRA R. ALEXANDER

to run over a certain amount, his credit automatically stops before it goes beyond that point. The attendant, I tell him, will notify him when his set credit limit is reached, and he must make a payment on his balance or else pay cash.

"Such a plan saves car owners from running up large bills for gas and oil before they realize it, I explain to the credit prospect."

Mr. Bonnievie's plan has met with favor in Grand Junction and adjacent agricultural districts. The set-limit feature, especially, appeals to the average motorist, he says. He has increased his credit accounts more than 100 per cent during the past year, yet his losses from this are less than they were when he first took over the station.

"I'm still going after credit business, too," he declared. "Grand Junction's population is approximately 15,000, and we have a fertile territory adjacent in the agricultural districts, also. I'm not going to take any doubtful accounts, however. It is my plan to keep our losses as low as they have been running, and build my business on credit basis."

Mr. Bonnievie says that by the 17th of each month, 80 per cent of the credit accounts have been paid. Then Bonnie starts to work on the remaining 20 per cent. He sends them an additional statement, and follows this up religiously with reminders. If this fails to bring in the payment, he makes a personal call.

About 58 per cent of the 20 per cent which is not collected on the 17th, reaches the 30-day past due

(Continued on page 31)

The Retail Hardware Business » » and its Credit Problems

WITH INTRODUCTION

By

W. R. KENDALL

**Stewart Bros. Hardware Co.
Memphis**

(A reprint from the Credit World
of January, 1927)

THE big credit problem of the hardware store in the city is irresponsible contractor and the speculative builder. Neither of these gentry have any resources to speak of, but seem to have no difficulty in obtaining an unlimited line of credit from material dealers and finance corporations; in some instances succeeding in borrowing on first and second mortgages more than the cost of the project.

This business is highly competitive and the margin close, yet not a few material dealers are guilty of the unbusinesslike practice of making bonds for contractors who cannot make a bend with a regular fidelity company, and in also taking a large portion of their accounts in second mortgage paper. This abuse has grown rapidly—due to the post-war building activity, which has graduated from an economic necessity to almost pure speculation.

Two dollars for business cards, reading "estimates cheerfully furnished," is about the only necessary investment to engage in general contracting. The speculative builder makes a small cash payment on a piece of unimproved real estate, induces the owner to waive first mortgage and launches out in the real estate business. Real estate mortgages have always been considered one of the best securities so capital for such enterprises has been readily available without due investigation being made by the creditor.

Of course, material dealers (in Tennessee) have a measure of protection through the furnishers lien law, but in many cases this lien is subject to a prior mortgage and about its only effect in such a case is to place a cloud on the title to the property, which of course

◆ Installment Hardware Sales Found Common in Gulf Southwest Area

The study of retail hardware distribution which the Domestic Commerce Division has been conducting in Arkansas, Louisiana, Mississippi, Missouri, Oklahoma, Western Tennessee and Texas brings out the wide prevalence of hardware sales on an installment basis. Of the 477 merchants, located in 116 towns, who were interviewed, 45 per cent reported selling goods on fall-dating or installment plans. Arkansas showed the highest percentage of merchants reporting such sales, 66 per cent, followed by Oklahoma with 64 and Texas with 58 per cent. In the latter two states much of the volume sold on a fall basis was in farm implements. In Louisiana, a somewhat smaller proportion of the merchants interviewed were selling on time credit, and only 26 per cent in Missouri.

In St. Louis only 21 per cent of hardware merchants were found selling on the installment plan, and in New Orleans only 9 per cent, installment sales applying mainly to radio and household appliances. A considerable number of merchants reported having abandoned installment selling because of loss and unsatisfactory results.

The findings in this part of the regional survey of the Gulf Southwest territory are being summarized, and Domestic Commerce will announce the availability of the report as soon as it is issued.

would have to be removed before a sale could be completed.

This is unfair to the competent contractor and the responsible real estate man who have their own capital invested in their contracts or real estate projects.

Memphis is overcoming this condition through group meetings of material dealers, embracing every line engaged in furnishing construction material, nearly all of whom are members of the Retail Credit Men's Association.

These meetings are held twice a month and are well attended by the chief executives of the different firms and finance corporations. They are informal and all phases of the building trade are discussed. Where several firms are interested in a particular collection problem group action by those interested is usually taken. Through the interchange of credit information, the open discussions as to the probable success of any given building program and the business conditions in the immediate territory, group action on collections and a careful check to stay within lien rights, has succeeded in greatly reducing credit losses.

Also making of bonds has been discontinued by mutual agreement and other abuses eliminated.

The University of Oregon study of the hardware business contains valuable information appropriate to these pages.

Financial and operating ratios for 27 hardware retailers studied in Oregon are shown in the accompanying table. These are successful retailers as evidenced by the fact that they all enjoy a very high credit rating and in addition have been in business for six years or longer. The annual sales of the firms here represented ranged from \$12,000 to \$250,000. Only four firms showed sales in excess of \$100,000, however, and only five below \$30,000. Twenty of the twenty-seven firms showed a range in annual sales volume of \$22,000 to \$90,000. In column one are the ratios for the group as a whole. In column two are the ratios for fifteen stores with annual sales volume below \$50,000. In column three are the ratios for twelve stores with annual sales above \$50,000.

(Continued on page 48)

CHARGE IT » »

A One-Act Play That Sells

The great bulk of the bureaus of the National Retail Credit Association are in towns just like Champaign. And to the city man who lives all the time in a crowd, but is really out of human touch with folks, it is a genuine treat to go to such places and to be taken visiting on Main Street.



Mrs. Trenna Lambkins went as a stranger to Champaign about seven years ago. Her husband was engaged in chamber of commerce work, and when it became evident that a separate Merchants' Credit Bureau would be a good thing for Champaign, she tackled the job like a man. Her success is just another tribute to the fine way in which women have entered into American business life. She is a quiet, modest woman, who says very little about herself, but the few casual remarks she dropped indicated that her journey to the position she now occupies had not been entirely along the primrose path.

Mrs. Lambkins is ably assisted by a staff of pleasant and capable young women who may all be characterized in their eagerness and diplomacy by the admirable Miss Tactful in the playlet "Charge It," which is reproduced here.

One lone man has the audacity to rear his head in this Credit Sorority, but then he is the Collection Manager, and Collection managers have to be audacious.

October 7th was the date set for the annual gathering of the Champaign and Urbana credit men (and women).

It was a stormy night. The wind howled and shrieked around the eaves of the Champaign Country Club. Wind is not so forbidding, but rain such as the deluge that descended at five o'clock is a more serious matter. Mrs. Lambkins, efficient manager of the Champaign Credit Bureau, was apprehensive. For weeks she had prepared for the big event of the year—a banquet that could not be postponed—a playlet carefully rehearsed, and a guest speaker who had been widely ballyhooed.

Fate is often most unkind. To make matters worse, Mrs. Ruth Hanna McCormick, of Illinois political fame, decided to open her campaign with Champaign. She was to speak in the high school on this evening. That was the last straw. But anyway, those who had to be there arrived early at the Country Club and waited hopefully for the guests. At last people came—in twos and threes—then in bunches, then in a crowd. They filled all of the places reserved with a few left over. The dinner was excellent, the chairman was tactful. The playlet was marvelous. Mrs. Lambkins beamed with pride and happiness, as well she should, for the evening was a great success. And the merchants and credit people of Champaign are on their toes, loyal to their Credit Association and anxious to make Champaign one of the best credit towns in the country.





CAST

Characters

	Played by
Mr. Homer Gratehart (proprietor)	Floyd Collins
Miss Tactful (bookkeeper)	Mrs. Filson
Mr. H. E. Ozalot (first applicant)	Mr. A. B. Showalter
Mrs. Gozalot (second applicant)	Miss Billie Caldwell
Mr. Protection (bureau manager)	Mr. Lambkins
Mr. I. Foolsalot (third applicant)	*
Saleslady	Miss Mary Thompson
Miss Spendsalot (fourth applicant)	Miss Agnes McMahon

(*The Credit World apologizes for not having the name of this actor.)

◆ CURTAIN ◆

SCENE 1: Any local store manager's office, bookkeeper's office, and to one side, the Retail Credit Bureau office.

Miss T. is engaged straightening office; proprietor reading ad.

H. G. (speaking to Miss T.): How do you find collections, quite slow, aren't they?

Miss T.: Well, I wouldn't say that they are exactly slow, Mr. G., but you know we have a large number of individuals on our books that are very poor pay, of course, you understand, Mr. G., that I'm not in a position to say this because I'm only a bookkeeper following out the dictates of you, my employer.

H. G.: Well, it may be true that we have a number of people on our books who are not going to pay, but then every store is in the same boat as we are. We will simply have to get as much out of them as we can.

Miss T.: But then don't you think we could be just a little more careful, you know every day we add new accounts to our ledger. I have figured to the best of my knowledge that the cost of carrying an account of \$112.15 at 6 per cent for thirty day is 56 cents, postage and stationery 7 cents, bookkeeping \$1.25, loss of discount \$2.24, total \$4.12, cost at fifth month \$116.27.

H. G.: Yes, I presume that you are right, Miss T., but that is part of our business.

(Enter Mr. Ozalot in a very brazen manner.)

H. E. O.: Good morning, Homer Gratehart. (Long hand-shake.)

H. G.: Good morning.

H. E. O.: How did you enjoy the entertainment at the club last night?

H. G.: Great.

H. E. O.: I certainly enjoyed the little talk that you gave the members and you certainly expressed my sentiments exactly. If our club is going to be what we want it to be, we'll have to follow along the lines suggested by you.

H. G.: I'm glad to know that you feel that way about it, Henry.

H. E. O.: By the way, Homer, seeing that this is Mrs. Ozalot's birthday, I'm going to surprise her with a new fur coat. I saw one here the other day which I know she will like, a fox fur at \$150.00. You know, Homer, we don't half appreciate our wives, at least, I know I'm mighty forgetful of mine, but I don't want her birthday to go by without a small remembrance. By the way, how's Mrs. Gratehart?

H. G.: Fine.

H. E. O.: I selected that fur coat as I came down the aisle and told the salesman who wrapped it up that I would take it along with me. I just wanted to tell you to have the bookkeeper make a charge of it. I'll be in, in a matter of thirty days, and take care of it.

(Ozalot starts walking away.)

H. G.: All right, Henry.

H. G. (turning to Miss T.): Take charge of this account, Miss T.

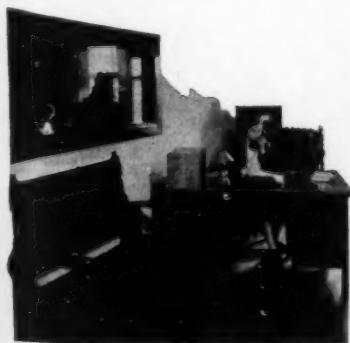
Miss T.: Would you object to my calling the Credit Bureau and

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Bureau Service



First comes Mrs. Lambkins, manager extraordinary. The others cannot be classified as to rank, but are all stars in a smooth working team. There is Miss Mary Thompson, Mrs. C. W. Weisz, Mrs. M. P. Filson, Miss Billie Caldwell and Floyd Collins, collection manager, who is well known and well liked in Campaign.



The Happy Small Town Has Its Opportunities

(Continued from page 11)

conomic service zone, and the third, a specialized service zone.

Persons living in the primary or personal service zone, the one nearest the town, go to the town for the economic service of the general store, for groceries, general household and farm supplies and staple goods, for the church, school, club, lodge or social organization, and because they have friends there.

The second general trade zone is larger and extends considerably beyond the first and includes it. In this area, they go to the town center for the economic service of the banks, the stores and the marketing agencies, for the educational service of the high school, for the communication service of the telephone and mail delivery, and the newspaper.

In the largest zone, called the specialized areas, they go to the town for the economic service of the larger department store, for women's ready-to-wear and for men's good clothes, for the social service of the hospital or clinic, for the educational service of a normal or special training school, and for the entertainment service of the motion picture show, musical concert or theatrical performance.

For a long generation the American small town has been losing its best children to the great cities. And why? Mainly because the children found they could earn much more money in the vast centers of banking, manufacturing and trade. Business in the home town was small and uncertain. Everywhere the boys at the corner groceries were saying that any smart chap could get rich in no time after he hit the Big Burg.

But out of every thousand inhabitants of the big towns, you cannot find more than three or four who are better off in their jobs than the people who meet on Main Street or around by the post office. As money goes, most of the men and women in New York, Chicago, Boston, Philadelphia, Baltimore, St. Louis and nearly every other metropolitan center are poor. They have to fight hard to make ends meet. And, though they seldom realize it, they have no future.

The Tide Has Turned

Now comes the new American revolution! Industry begins shifting to small towns. Less than ten years ago Henry Ford announced that he would try to spread his colossal enterprise over hundreds of villages, so that farmers and seasonal farm workers there could fill in part time, especially during the cold months, making automobile parts and supplies. Many people smiled at this quaint idea; but, before the grins left their faces, along came super-power with its long distance high tension electric lines from waterfall and mine to ten thousand cross-roads and corner groceries. A year or two of waiting, while business men took time to grasp the meaning of all this. And then what an exodus!

Manufacturers who had left their home towns forty years ago to make their fortunes in the big places now came trailing back with architects and engineers, to build new factories in the little places. The tide has turned. No man in his senses thinks of starting a factory in a metropolis nowadays unless he is making something which cannot be made elsewhere. Experts declare that, during the next fifty years, all the villages and small towns of the United States will become the industrial centers. But in a new and better way.

They will not be darkened by the smudge from the old-fashioned factory chimney. All their factories will be new, perfectly lighted and operated electrically. Most of them will be surrounded by spacious lawns and flower beds. The workers will mostly live in their own homes, work their own little gardens or farms in summer, and go to work in their own automobiles.

A few years ago everybody was bewailing the rate at which huge factories, with their mass production methods, were driving small manufacturers out of business. Today we know that the small manufacturer and the specialty worker in his home shop will always thrive, though perhaps not in quite the same manner as of old. Some things are best made at the rate of a thousand a day. Other things are best produced by one man who puts his whole heart and mind into his job. Of course, the small producer will not be a hand worker as he used to be. That day is

forever past. He will use fine machines. And he will be able to have them at home or close by in his village.

Look then at the opportunities for diversified work and play which the small town will offer. John Smith, a small farmer living near Smithville up in Smith county, finds he cannot make a good living on his acres. Instead of moving to Chicago or New York and becoming a wage-slave, he goes to Smithville, finds a new factory there in which he can work without leaving home. His wife has some little handicraft also. The pair run their garden with a tractor, sell the milk from their few cows to a big dairy, own a car in which they take long rides week-ends and a jaunt to California winters. A fine radio brings them the music of the world's greatest players and singers, as well as news and business. There is an airplane field a few miles away, where now and then, just for a lark, the Smiths take a ride. What normal man could ask for greater variety?

The American town heretofore has been isolated, and this has not been good for its inhabitants. Few people develop properly when alone, and fewer still enlarge their personalities when limited to a narrow circle of acquaintances in one lonely spot.

But this defect of the village is swiftly passing. Go almost anywhere—East, Midwest, Southwest, Northwest, or on the Pacific Coast—today, and you find highways, bus lines, telephones and delivery trucks linking town to town in a network of community life. This amazing transformation seen from train windows, from auto, and from airplane, justifies the prophecy that, *the county of today will be the city of tomorrow. And the future city dweller will enjoy all the advantages of both city and country life without any of the disadvantages of the modern city and country.*

The community will not be the few hundred or thousand people around the old cross-roads. It will embrace fifty small towns and the county seat. There will be between 100,000 and 300,000 people in this social unit. They will not be packed together like the inhabitants of the typical modern city of that size. They will be

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THE VEERING FLAW

(Continued from page 23)

Not So Bad by the Proper Comparison

A comparative statement showing the relative per cent of credit sales and collections for recent months of 1930 and similar data for 1929 at first reading does not present a healthy picture.

It is necessary to pause for a moment of thought and establish the idea that 1929 while it must be considered in such a comparison, does not offer a fair basis for weighing facts. This year cannot and is not to be considered a normal year in any sense of the term. Most of it was on the rising trend of the curve of detailed business conditions. Now that we have 1930 data with which to make some observations it is apparent that too much variation between 1929 and 1930 occurs. What is this due to and how can it be explained to ring with sincerity?

To any student of national business conditions it is common knowledge that many industries enjoyed a banner year during 1929. The automobile group is a good example of voluminous production. There are countless others. The general business curves and indexes of well known national statistical organizations reflect in general that business as well as can be measured showed an increase of six to seven and one-half per cent over that for the previous year. Turning the attention to some of the accepted business barometers the increase in the sale of general insurance, amounting to 8 per cent in 1929 over that for 1928, where the previous year's increase had only risen to 3.3 per cent, bears out this contention. Even factory payrolls, with a gain in 1929 of 5.6 per cent, made this hypothesis seem reasonable for the change between 1927 and 1928 showed a decrease of 2.5 per cent.

There is no orthodox manner in determining the actual increase in general business in 1929 over that for 1928. This is a statistical problem that many do not understand; some discount from the unfortunate lack of knowledge of basic facts. The general conception of the relative difference between the measurement of business in 1929 and that for 1928 seems to lie between five and seven and a half per cent. In other words, we

St. Louis CREDIT SALES Per Cent
July, decrease 1.5 to 20
August, decrease 5 to 23.1
Sept. up to 15th, decrease 1.55 to 10.3

COLLECTIONS

July, decrease 2.23 to 9.9
August, decrease 1 to 10.8
Sept. up to 15th, decrease 4 to 9.28

Note: September sales show decrease in face of extraordinary sales effort.

New York City CREDIT SALES

July, decrease 7
August, decrease 9
September, up to 15th, increase 5

COLLECTIONS

July, decrease 1.97
August, decrease 4.93
September, up to 15th (no figures)

Los Angeles

No report on sales.

COLLECTIONS

July, decrease 2
August, decrease 3

San Francisco and Oakland CREDIT SALES

July, decrease 2.75
August, increase 1

COLLECTIONS

July, increase 1.52
August, increase 1.54

Rochester, N. Y.

No report on sales.

Collections decreased 1 per cent.

Pittsburgh CREDIT SALES

July, decrease 5
August, decrease 5

COLLECTIONS

July, decrease 3
August, decrease 8

Detroit CREDIT SALES

July, decrease 15
August, decrease 25

COLLECTIONS

July, decrease 6
August, decrease 8

Note: Unemployment situation bad. Claim 40,000 more men out of work on September 1st than on June 1st.

Des Moines CREDIT SALES

July, decrease 11
August, decrease 15
September, up to 15th, decrease 15

COLLECTIONS

July, decrease 3
August, decrease 3
September, up to 15th, decrease 1

Denver CREDIT SALES

July, decrease 2
August, decrease 4
September, up to 15th, decrease 6.8

COLLECTIONS

July, increase 1.49
August, increase36

Lincoln, Neb. CREDIT SALES

July, decrease 10
August, decrease 6

COLLECTIONS

July, decrease 2
August, decrease 3

Nashville, Tenn. CREDIT SALES

July, decrease 1.55 to 22
August, decrease 2.5 to 12
September, to date, decrease 2.9

COLLECTIONS

July, decrease 1 to 12
August, decrease 2.5 to 8
September, to date, decrease 2

must consider any comparisons with 1929 are inflated due to the unusual activity of that year.

Summarizing the results of the tabulations for credit sales and credit collections during July and August of 1929 and 1930, it would first seem that 1930 is about seven per cent to the bad for sales, only two per cent for collections. But with the adjustment which must be considered due to the uniqueness of 1929, general business has only experienced a setback of about two per cent as to credit sales; looking at credit collections the algebraic result is an improvement of about three per cent.

It is admitted that this may appear to be a mirage that tends to throw one off the track in reasoning, but the facts are material things and do not waiver. Individual experiences will be found to fluctuate above and below the figures stated. Perhaps the deeply engraved memories of business conditions during the first half of this year may leave the credit executive in a doubtful frame of mind, but these are the playful fancies of mind at work; cold reasoning will establish the acceptable basis for this hypothesis.



Building a Filling Station Business with Novel Credit System

(Continued from page 26)

stage. About 15 per cent of this 20 per cent goes as far as the 60-day past due date.

Attendants at the station must consult a card index of customers before they make a charge. This index lists the credit limit of the customer and the amount purchased so far during the month. The lists are kept up daily.

At the present time, oil and gas sales at the station are averaging \$6,000 a month; tires, \$4,000; battery department, \$1,000; grease racks, \$750, and washing department, \$750. Bonnie takes an inventory every month by departments, figures up his total receipts from each department, and finds out which ones are gaining and which ones are falling down. He favors the low department in his advertising for the following month.

Credit Extensions and Business Failures Among Retail Grocers

(Continued from page 13)

of 12 others among the 30 "prospective" bankrupts, easy credit was a major contributing factor.

Easy credit from wholesalers to retailers was also found to be a cause of failure. A certain grocer was studied as a prospective failure, as he was in financial difficulties. Notwithstanding the fact that this man had failed in another line of business, that one wholesale establishment had collected by the magistrate since he had been in the grocery business and another one had threatened to sue him, and that bills to other wholesalers were from 30 to 60 days overdue, goods were still being sold him on credit.

An examination of the liabilities of those merchants who had actually failed and whose accounts had gone through the courts was strong proof of easy credit. One man failed owing more than 50 creditors, most of them wholesalers, jobbers and manufacturers. Another failed owing more than 40 creditors, among whom were wholesalers with bills of \$400 to \$500 each.

Data collected on the use of a credit bureau in carrying on credit business show that as a rule, stores which used credit bureau had fewer bad debts than those which did not. The difference was quite pronounced.

In Louisville 30 retail grocery stores go out of business every month and 32 open up to take their place.

Incompetence in a narrower sense results in merchandising inefficiency, over-extension of credit, financial mismanagement or inability to meet the changing economic and social conditions of the community. In other words, these retailers fail because they are not capable of performing the essential services of a merchant. The in-

competence of a merchant generally reveals itself in all phases of business. If his delivery service, say, is not reliable it may almost be taken for granted that his credit policy is lax, that his accounting is poor, and that he knows little or nothing about other aspects of his business.

Great numbers of grocers are operating on a scale too small to produce a living income. Thou-

stores in those cities had sales of less than \$5000 each annually. At 2 per cent on sales which according to the available figures is a good average net profit, these stores would yield only \$100 in net earnings per year.

In general the public is prone to look upon individual failure as just an isolated case. It is easy to say that the retailer was incompetent and that his failure was justified. But when we realize that part of the loss resulting from such failures (that written off by wholesalers as bad debts) usually falls upon the consumer and is paid for through higher prices of commodities and when we multiply these apparently isolated cases by the thousands which occur during the period of a year over the country at large, we begin to grasp the social and economic significance of the process.

It is commonly said that the average length of time grocers are in business is about seven years. In Buffalo it was about five, but in Louisville the average was comparatively high, showing 12.2, a figure which was left somewhat in doubt owing to the difficulty in obtaining dependable answers.

Anyone who desires to do so may engage in the retail grocery business and because the selling of food is one of the most primitive forms of retailing almost anyone will tackle it with little or no capital.

In Buffalo 60 out of every 100 grocers going into business over a ten-year period lasted only one year. In 1918 there were 1,459 stores. Between that year and 1928, 6,268 new firms entered and 6,053 ceased to be listed. The life expectancy of grocery stores in Buffalo is as follows:

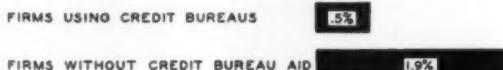
Years	1	2	3	4	5
Per cent	60.0	40.0	26.2	19.3	15.1
Years	6	7	8	9	10
Per cent	12.7	10.2	7.9	6.9	5.0

ANALYSIS OF CREDIT FAILURES AMONG PHILADELPHIA INDEPENDENT GROCERS

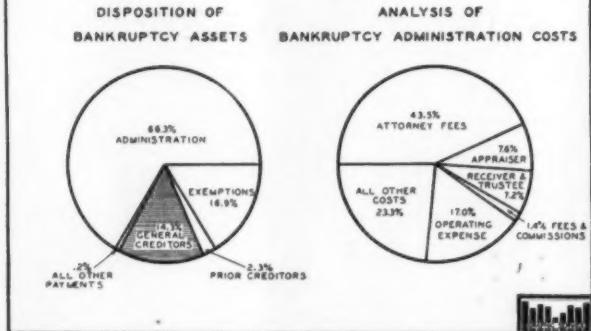
A. EXTENT OF CREDIT BUSINESS:



B. RATIO OF CREDIT LOSSES TO CREDIT SALES:



C. BANKRUPTCY EXPERIENCE:



With only 16.8 per cent salvaged from a bankrupt grocer for the creditors and with the majority of the failures caused by unwise credit extension, the remedy lies in credit education and sound credit practice.

sands find it necessary to withdraw from business each year and thousands of others appear to exist continually on the brink of failure, awaiting the slightest misfortune to push them over.

Dr. Julius Klein, Assistant Secretary of Commerce, has estimated that there are 750,000 retailers in the United States doing an average business of less than \$25,000 each per year. The census of distribution for eleven cities shows that 28 per cent of the independent retail



When Main Street becomes Chain Street. Here are four chain stores in a row, but amongst them is a very successful independent.

The amount of money required to start a grocery business need not be great. It is usually procured from one's own savings or is borrowed from friends and relatives. Then, too, there are always those who are glad to help almost anyone to set himself up in the business by selling him fixtures on the installment plan or furnishing goods for stock on credit. It is evident, therefore, why there are many inefficient and incompetent persons continually entering the business to take the place of those who failed. It is not implied, of course, that all who fail are incompetent or that all who succeed are competent; such an implication would be far from the truth.

The evidence on credit losses in the Louisville survey proves conclusively that lack of care in granting credit to customers is the most important cause of failure. The bankrupt stores had credit losses two or three times as great as the others. A credit loss of 1 per cent computing the ratio of bad debts to total sales is considered high by well conducted grocery stores. But some of those faced with failure had credit losses as high as 10 per cent.

Information from confidential sources, for instance, indicated that a certain grocery store was in bad financial condition and about to fail. The owner was called upon, and expressing his willingness to co-operate in trying to find causes, reported that his credit sales totaled

The progress of the chain stores to where they are doing about 45 per cent of all the grocery business is causing wholesale grocers to change their methods. The Food Institute census shows there are 421 groups with at least 54,000 retail merchants who have been forced into the new business theory of working together.

\$12,000 for the year and that his bad debts for the same period were about \$1,200, a loss of 10 per cent. This is an

unreasonably high loss, and thinking perhaps the \$1,200 was an accumulation of bad debts for a period of several years, the man was asked to show any records that he might have. He laid out an assortment of papers, some of them yellow with age, on which were recorded dates and amounts. First, he divided the papers into two lots showing unpaid credit accounts for the year 1928 in one lot and for previous years in another. Then he was asked to weigh carefully each credit account and decide if he could collect it. The result was approximately \$1000 of bad debts for the year 1928.

In Louisville 1.71 per cent of all the credit sales and 1.13 per cent of all of the sales (cash and credit) will never be collected by the grocers. With 66.1 per cent of the volume being credit and 33.9 per cent

The interior of the store shown on page 12.

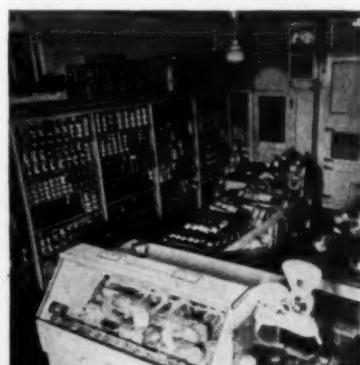


cash in those stores that carried both cash and credit it is observed that .45 per cent was the loss on strictly cash business. Credit business consequently shows itself to be highly desirable when properly controlled, with a contrast of 1.26 per cent greater loss than in the cash stores, but with a tremendous advantage in volume and the chance for growth. Grouping the stores according to volume of business there is revealed a striking increase in credit sales in proportion to the size of the stores. That is the larger the stores, the greater the proportion of credit business and the smaller the proportion of cash business, as shown in the following table:

Stores having total sales of—	Per Cent of Credit Business
Less than \$5,000.....	50.1
\$5,000 to \$9,000	59.5
\$10,000 to \$24,000	58.2
\$25,000 to \$49,000	65.6
\$50,000 to \$99,000	70.3
\$100,000 and over.....	75.7

The old controversy between credit and cash for the grocer was pretty well settled in favor of credit in an open forum at the 1929 convention of grocers as reported in the National Grocers Bulletin 1929 convention number. (Continued on page 37)

The interior of the same store under new management.



The incompetence of a merchant generally reveals itself in all phases of business. If his store is untidy or his delivery service is unreliable, for example, it may almost be taken for granted that his credit policy is lax, that his accounting is poor and that he knows little or nothing about his business.

The Seven Dollar Wage

(Continued from page 15)

ively, with \$87.87 going for children's clothing. For an idea of how husband and wife dress, we borrow from the report:

"On an average the husband appears to buy a felt hat once in about every two years, a wool suit every two and one-half years, an overcoat every seven years, and a sweater or 'lumber-jack' every three years.

"Five shirts, two ties, two cotton union suits, fourteen pairs of cotton socks and one pair of silk or rayon socks, one pair of garters, two pairs of shoes, two pairs of leather work gloves and nine pairs of cotton work gloves were purchased by each husband, on the average during the year.

"The mens felt hats cost on an average of \$3.68 each, the caps \$1.41; the wool suits, \$27.43; overcoats, \$23.75; cotton shirts, \$1.14; cotton union suits, \$1.34; cotton socks, 24 cents, and silk or rayon socks 54 cents a pair. High shoes averaged \$4.23 and low shoes averaged \$4.56 a pair; leather work gloves 39 cents, and cotton gloves 21 cents."

Then we are told how the wives divided their clothing expenditures:

"The value of clothing for the 100 wives, \$59.21 per year, absorbed 3.4 per cent of all expenditures. For the wives 44 per cent of their clothing expenditures was for outer garments, 26 per cent for footwear, 15 per cent for underwear and 6 per cent for headgear. From the standpoint of replacement of the principal articles of clothing, the wife purchased, on an average, a wool coat every two and one-half years, three hats every two years, a pair of cotton gloves every two years, and a corset and brassiere every two years.

"During the year she purchased two dresses, four pairs of cotton stockings, four pairs of silk or rayon stockings, two pairs of shoes, three house dresses, two petticoats or slips, two pairs of bloomers, a nightgown, and a pair of house slippers.

"The wife's wool coat averaged in cost \$25.09, the hat \$2.55, cotton gloves 89 cents, corset \$2.63, and brassiere 53 cents. The cotton dress had an average cost of \$1.74, and the silk or rayon dress \$7.51, the cotton stockings 35 cents, and the silk or rayon stockings \$1.00

a pair. The shoes averaged \$4.27 for the low and \$5.25 for the high shoes, the house dresses \$1.04, the cotton petticoat or slips 76 cents and the silk or rayon petticoats or slips \$1.31. The cotton bloomers averaged 57 cents and the house slippers 98 cents."

Inasmuch as food is the most expensive item in the family budget, it may be interesting to show just how such purchases were divided:

Item	Average Expenditure	Per Cent
Milk and milk products	\$120.83	21.7
Meat	104.37	18.8
Bread	54.20	9.8
Vegetables, fresh	36.59	6.6
Eggs	36.57	6.6
Fruits, fresh	32.90	5.9
Lunches and meals bought outside	19.68	3.5
Vegetables, dried and canned	14.59	2.6
Coffee	12.82	2.3
Flour and meal	10.37	1.9
Poultry	10.16	1.8
Sea food	9.50	1.7
Fruits, dried and canned	6.99	1.3
Ice	6.94	1.2
All other items	79.61	14.3
Total	\$556.12	100.0

Many People in America Not Prosperous

WHILE the Ford employee is envied by the rest of the world and the United States generally has reached the highest point of material prosperity in point of national income ever achieved, there is still a great deal of room for improvement. While the masses of the people of the

country are, with some exceptions that have been noted, better off than ever before and better off than similar classes in other countries, there are, nevertheless, large proportions of the public whose incomes are so small as to make consumption even at a decent, healthful standard out of the question. Prosperity is by no means general.

The "poorest" group of the population, making up 65 per cent of the total people, average not more than \$2,300 income per year per family, which, if evenly distributed among all such families, would provide but little more than the minimum requirements and allow a very narrow margin for emergencies such as illness, unemployment, old age or savings. An uneven distribution, such as actually prevails, may help those families who get more than the average, but the economic condition of those who get less is not so pleasant.

There are millions of unskilled laborers in the United States whose wages are so low as to constitute a moral and economic misfortune.

If these underpaid workers were few in number, and existed only in scattered instances, the inequality would be less great. But if we count them up, if we think of those in all our industries who may lack mechanical skill but who nevertheless shoulder the heavy weights and do the roughest work, we find a great part of American industry shot through with these unfortunates. It is not exaggeration to say that we have some mil-



Some of the Homes of
The Ford family's home is rented. It contains four or five rooms and bath
an average

lions of these hard-worked but underpaid Americans. Taken together with their families and their dependents, I would venture to say we have among us from ten to fifteen millions of people who do not share as they should in the prosperity enjoyed by the rest of us. Morally, economically, and on the grounds of simple humanity, this inequality should not be allowed to exist in this richest nation of history."

Such are the conditions which need consideration in formulation of concepts of the kind, extent and trends of consumption. A frank acceptance of these facts may not always be conducive to an optimistic view of the boundless markets for all classes of goods. It is possible that much of the difficulty of American business with over-production, has been ignorance or refusal to see the limits set upon consumption by the incomes actually received by the people.

The object of this analysis of income and outgo by the most favored wage earner of the United States in the pages of *THE CREDIT WORLD* is to give to retail credit men who control 50 per cent of the retail spending of all classes of people a fundamental concept of the economics of consumption.

A study of consumption, as Paul Nystrom points out is important to credit men in its first and most fundamental object "To discover if possible what order, law or principle underlies and governs consumption—so as to establish a basis of desirable standards

which in turn may lead to a more rational use of earnings in the things purchased." Consumption is essentially an art or living, which all of us need to know more about in order that life may be made more meaningful and beautiful for all. It is especially valuable as an ideal of economics in order to reduce or eliminate the enormous waste and expense that now occurs in the production and distribution of undesired commodities and to produce to a definite predetermined demand.

Over-production has characterized a great many American manufacturing industries, particularly since the World War. The United States Bureau of Census drew up estimates of the percentage of total capacity actually employed for 1921 and 1923. For the year 1921, the percentages of actual output to possible normal capacity for the various industries of the country ranged from 12 per cent to 87 per cent, or an average of 57 per cent. For the year 1923, the percentage of actual output to normal capacity ranged from 19 per cent to 96 per cent, or an average of 72 per cent.

The year 1921 was a difficult one for manufacturers. Most industries suffered from the depression so that the low average of 57 per cent for that year may not present a fair picture of the normal relations of productive capacity to the requirements of consumer demand. But the year 1923 was one of good business activity and it is probable that the output rep-

resented by the average of 78 per cent of normal capacity indicates the relation of actual output to possible output under normal conditions in this country. In other words, in the manufacturing industries it seems probable that there is at least 25 per cent general over-capacity for production for which there is no consumer demand even during prosperous years.

If the marketing of goods to consumers were solely a problem of suggestion by sales promotion methods, or even if the problem of consumption were solely one of habit and custom, then the difficulties of production and distribution of goods would be comparatively simple. One of the main points to be gained from the study of consumption is an acquaintance with the many factors and forces operating which, when followed by producers and dealers, lead to success, and when opposed lead to failure. Sales promotion and advertising are wonderful aids when they go with the tide of consumer demand, but they appear to be helpless when in opposition.

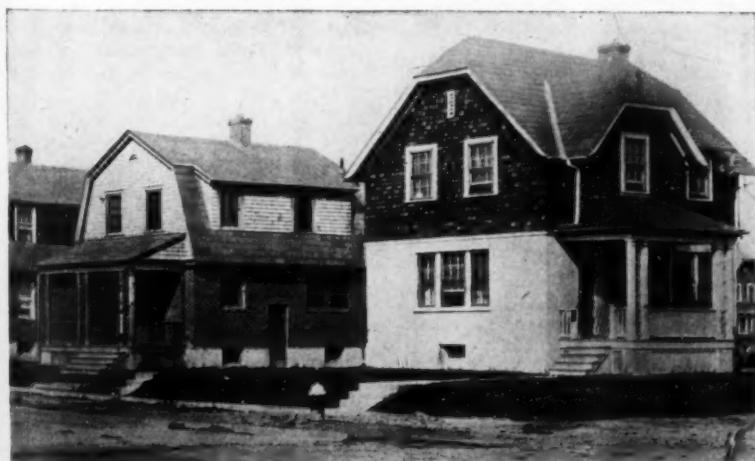
Business Must Go with Consumer Demand or Fail

It would be easy to draw up a long and pathetic list of the errors made by business men in their estimates of consumer demand and, worse still, of their efforts to disregard or to force changes in the direction of consumer demand. Several cases are presented in the author's "Economics of Fashion," Chapter 1. Only a few general references may be made here to certain groups of cases which, however, will serve to illustrate the strength of consumer demand and the futility of fighting against it.

When women began to bob their hair, the hair net and hairpin manufacturers redoubled their efforts to maintain the vanishing demand, but without results.

The present fashions in women's apparel have been fought and contested at every step. Manufacturers and dealers have tried by every known means of sales promotion to make women wear wide hats when they wanted small ones; suits, shirtwaists and separate skirts when they wanted simple one and two-piece dresses; voluminous underwear when they wanted "shorties" or none at all; boned corsets when they wanted "bandeaulettes" or nothing; long skirts

(Continued on page 43)



*Ford Workmen, Flint, Mich.
and faces on an improved street. Their average income is \$1,793.83 for family of 4.5.*

(Continued from page 21)
The table below indicates the druggist's credit rating:

Druggists Rated	Metropolitan Districts	Less Populated Districts
Over \$10,000.....	619 (9%)	2743 (27%)
\$5,000 to \$10,000.....	838 (12%)	2028 (21%)
3,000 to 5,000.....	1644 (23%)	2085 (22%)
1,000 to 3,000.....	470 (7%)	984 (10%)
Under \$1,000.....	3424 (49%)	1939 (20%)
Totals.....	6995 (100%)	9779 (100%)

The above comparison covers more than 28 per cent of all drug stores in the country. It conclusively proves that the average small town drug store ranks well above the average big city drug store in credit rating and average volume. It proves that the urban drug store has no hammerlock grip upon the business of the nation.

While sometimes harder to sell nearly always more expensive to sell (on account of traveling expenses and fewer calls by salesmen per day) the small city, town and rural drug store is actually a most desirable and potentially larger customer.

Desirability of Drug Store as Outlet

The drug store offers many advantages to any manufacturer whose merchandise is adaptable or which can be made adaptable for drug store sale.

1. It is open long hours, including evenings, Sundays and holidays.

2. It is open at hours and at times when practically all other stores are closed.

3. It generally has a prominent and convenient location, usually a corner.

It is largely patronized by the public. It is visited daily by more people than any other character of store, and with each customer coming into closer contact with a larger portion of its entire stock than any other store.

5. It already sells an almost endless variety of merchandise—a real headquarters for the public. It renders many small convenient services—sale of stamps, public telephones, directories, etc., that attract the public. Merchandise on display in drug stores therefore is exposed to more possible buyers than in any other type of outlet.

6. It leads a "quality atmosphere" to the merchandise it sells. The druggist is a high-grade educated man. The merchandise he sells is of high standard.

7. To manufacturers it offers 61,865 "outlets" or contacts with the buying public.

Drug Store Costs and Profits

According to United States Chamber of Commerce surveys the average operating expense of retail drug stores in 27.35 per cent based on total volume done. The average gross margin is 34 per cent. (Excepting fountain drinks and prescriptions, which are higher). The net profit earned is 6.25 per cent.

However, it should not be assumed that these average figures apply on all merchandise the druggist sells. Some merchandise yields a larger gross profit. Much merchandise is more expensive to handle. And the contrary will apply in both respects on other merchandise.

Out of every \$1000 spent—

Drug stores get	\$ 36.90
Department stores get	145.94
Grocery and delicatessen stores get	115.64
Restaurants get	63.71
Hardware stores get	19.36
Confectionery stores get	15.34
Electrical stores get	8.99
Stationery, book and paper stores get	8.99

The University of Oregon (Department of Business) in a survey made in that state has produced some interesting information regarding the drug store business. The table below with the explanation that follows is illuminating.

CURRENT RATIO

The table shows the current ratio of this group of 38 drug stores to be 9 to 1, or \$9.00 of current assets for each \$1.00 of current liabilities.

Showing Financial and Operating Statistics for 38 Oregon Drug Stores

Ratio	Combined 38 Stores	Per Cent 27 Stores with Sales	Per Cent 11 Stores with Sales
1. Current ratio.....	9 to 1	9.6 to 1	8.4 to 1
2. Ratio of sales to merchandise.....	3.2 to 1	3.3 to 1	3.1 to 1
3. Number of days' sales in merchandise.....	98 days	95 days	100 days
4. Ratio of sales to receivables.....	18.1 to 1	16.2 to 1	21.2 to 1
5. Number of days' sales in receivables.....	17 days	19 days	15 days
6. Receivables per dollar of merchandise.....	18 cents	20 cents	15 cents
7. Sales per dollar of investment in fixtures.....	\$ 9.80	\$10.04	\$ 9.44
8. Owner's investment per dollar of liabilities.....	11.45	10.65	12.45
9. Sales per dollar of owner's investment.....	1.88	2.04	1.70
10. Ratio of rent to sales percentage (12 firms).....	4.5%		

(Continued on page 43)

Credit Extensions and Business Failures Among Retail Grocers

(Continued from page 33)

Some of the questions asked and answered were as follows:

Question—Is it better to set resale prices at full service standard and give a discount for cash or to set them on a cash and carry basis and charge extra for credit and delivery?

First Answer—Our credit business is 75 per cent and our credit losses are one-third of our cash discounts.

Second Answer—Our business is 93 per cent credit and the last year our cash discounts have been three times our losses in credits.

Third Answer—I went out of the cash business into a 67 per cent credit business and have lost less than one-tenth of one per cent. My discounts are at least three and one-half times. Every year I get more cash discount than I lose in credit.

Question—What are the profitable requirements for a credit business?

Answer—Customers who demand it, a good credit man who knows how to conduct a credit business, but the most necessary requirement of all is to connect yourself with a good credit bureau. Your credit bureau is the basis of credit.

Question—Can credit be extended without incurring losses?

Answer—Pay someone competent to handle credit and you will avoid major losses, but you must live up to his instructions.

Question—What expenses are involved in a credit business which are completely eliminated in a strictly cash and carry business? Does the greater volume and customer permanency offset reasonable losses in credit extension? What is reasonable credit loss stated in percentage of sales?

Answer—(1) The man who conducts the credit business is ahead of the game, providing it is conducted in a proper way. The man who conducts a cash business incurs losses in profits. He is fighting for business. A man who has a nice credit business has a nice business all the time. (2) I can do business on less overhead in credit than by cash. Cash customers carry their merchandise out themselves, but they have to be waited on and clerk time is more costly for cash trade when required to concentrate between 11 and 12 and 3 and 6. In my credit store the clerks start working on orders at 8 in the morning and work steadily until 6.

"Cash and carry," we are told, accomplishes great saving. If there were any merit to this claim, the credit would be due to the customer and not the store, for he does the cashing and carrying. If the men who projected this policy really believed in its economy, they must surrender all claim to wisdom, for it was dug up from the discard dumps along the road over which civilization marched centuries ago.

If it were true that self-service is economical, inter-service, which is the basic principle of social progress, would not have been permitted to raise man from savagery.

Dr. Davis of Akron University has remarked, "Grocers cannot make any money by dealing in prices, they do not set the prices. The prices are fixed without their help, that is a market affair. The only way that grocers can make profits is to get the profits from the only source of pure profits, by recognizing a market price and profit by *good buying, good service, efficient management, proper advertising, clean goods, courtesy, prompt delivery, years of good will*, developed by having done business over and over and over again with the same repeaters. That is how to make profits. It is the difference between poor management by poor grocers and good management by superior, intelligent business men.

"Those who are in the food vending business are not competitors. There are 122,698,120 people who are hungry three times a day, and assuming that it takes 50 cents apiece every day to feed them—they buy that much food from the grocer. Who is going to get it? \$61,349,060 a day for food, and that is all they have to spend. The amount that they will spend for food cannot be increased unless it is shifted from moving picture shows, clothes or cigars, etc., to expenditures for food.

Grocers should be more efficient and can compete for the neighborhood business only on a basis of rendering superior service at the same price the other grocers maintain.

An interesting investigation conducted by Dr. Davis in Akron amongst the housewives revealed the following interesting consumer reaction which should be helpful to the grocer in looking for improvement in his business. The following questions were asked:

"How far away from your home is the nearest grocery store?" The answers ranged from one-half block to five blocks. "Do you trade at this nearest store?" More than 50 per cent replied, "No, I do not trade at the nearest store." "What proportion of your grocery buying do you purchase at any one store?" Answer, "50 to 90 per cent." To the question, "What determines the place where you do buy, nearness, cleanliness, service,

quality, price or friendship for the grocer?" The replies ranked in order: Quality, first; cleanliness, second; service, third; price, fourth; nearness, fifth, and friendliness for the grocer last.

To the question, "Do you prefer to deal in a store with a large stock of goods or in a small store?" "Where do you get the better goods?" "Where the better prices?" The replies are dominantly in favor of the larger stores. "Do you buy imperishables in large quantities and store them at home or purchase often as the supply gives out?" Answer, "Buy in small quantities." "Have you objections to buying fruit and vegetables which are exposed on sidewalks outside the stores?" Almost unanimous objection to doing so. "Do you know of any amount of sickness of children or others, which you think is attributable to food which was deteriorated when it came from the store?" Ten per cent answered "Yes." The twelfth and thirteenth questions evoked many most interesting replies. The questions were as follows: "Give as many suggestions as you can as to how your grocer might improve the goods and services which he offers," and "Will you describe what you would like to see as a model grocery store in respect to surroundings, equipment, services, refrigeration, delivery, cleanliness, etc."

The outstanding suggestion in the replies were that the stores should give more attention to cleanliness. The women complained of both dirt and the appearance of dirtiness. They object to cats in the store; they object to dust, flies and unclean windows, refrigerators, floors and aprons. They object to candy handled with the bare hands of the busy grocer. They suggest uniforms of white, and caps to cover the dishevelled hair of the clerks. The housewives want more light in the stores, white walls and ceilings, orderly arrangements of pastries, bread, fruit and fresh vegetables under cover.

Half a dozen women suggest that college-bred clerks be in the store. That is coming. There is no question about it. Why should we not be teaching college men and women the profession of food vending. More education or proper apprenticeship will make better grocers and less failures.



Washington Bulletin

By

R. PRESTON SHEALEY

Washington Representative N. R. C. A.

FOREWORD

REORGANIZATION of the Federal Reserve Board, because it is said that that is what recent changes in the membership amount to, leads to the query as to duties and powers of the governorship of the board, to which position Eugene Meyer has just been appointed. The Federal Reserve Act does not give to the governor of the board in precise language a larger measure of authority than have the other members, but the act does designate him as its executive head, leaving to implication powers that previous occupants have always exercised, and which, in effect, makes the governor of the board its spokesman. Mr. Meyer is regarded in Washington as a strong, forceful man, with exactly the experience necessary to render effective public service, and it may be that he will contribute in large measure to business improvement.

One more vacancy remains to be filled from either the fourth, fifth, sixth, ninth, tenth or eleventh districts, embracing substantially that portion of the Middle Atlantic states below Philadelphia, the South Atlantic states and nearly all of that section of the country drained by the Mississippi and its tributaries.

If changes in the personnel of the board are taken to mean as an answer to criticisms of policies of the board which have been made in Congress and elsewhere, then it might be well for a number of the large business units of the country to take stock of their operations and ascertain whether or not criticisms of their stockholders are well founded.

Departmental

(a) Government Reorganization

Pessimists may contend that the world in general and the United States in particular is retrograding, not progressing, but a broad-gauged view of the situation, at least in the United States, shows quite the contrary. Temporary recession may slow up the movement, but ever-increasing stronger waves coming forward are constantly improving the government service. Even the movement for reorganization of the government departments has recently taken a long step forward, and all federal veteran activities have been co-ordinated in one bureau. Years ago it was said that clerks in the Pension Bureau were frequently permitted to have cases sent to their homes to handle, not to be worked on at night, but to be handled during the day if and when they could get around to it. Compare

that situation with recent orders of the consolidated Veterans Bureau, requiring clerks to even cut their annual leave to speed up examination of the claims of disabled and other classes of veterans. Efficiency in hospitalization of veterans has also been increased, while the interest of the general public has been bettered because the total cost of providing for the veterans and their dependents will now be placed in one appropriation bill. In previous years this cost was spread through three or four different appropriation bills, and it was difficult to determine just what the total cost amounted to.

(b) Tariff Commission

The enlarged Tariff Commission with its new commissioners is now functioning, and they certainly have before them an extensive program. Since the passage of the

new act, the Commission ordered studies of production costs in 84 commodities which will be covered by 35 investigations. Most of the requests for investigation come as a result of Senate resolutions or requests from the House Committee on Ways and Means, and two were directed to be made in the tariff act itself.

(c) Taxation

Twenty states now have income tax laws, and forty-four states estate tax laws to take advantage of the 80 per cent rebate allowed in the present federal revenue law. The state auditor of Texas recently stated that as a result of a check-up of Texas state taxation records with federal records, his state had lost a tax of around forty thousand dollars because the state valuation of a Texas estate had been one million, four hundred thousand, whereas the federal estate valuation of the same estate had been two million, four hundred thousand. This statement is increasing evidence that the state taxation officials are checking up very closely income and estate tax returns of their citizens with corresponding federal tax returns, and as there is a marked tendency for the states to adopt such taxation laws, it behooves auditors and others who prepare taxation returns to be exceedingly careful in their preparation.

Court Decisions

(a) False Financial Statement

Many retail corporations are asked by creditor banks, manufacturers, wholesalers and mercantile agencies for financial statements, and it would appear that many of the officers of the former corporations feel that in making the statement in the name of the corporation they are released from personal responsibility. The Supreme Court of Washington on August 15, 1930, in Pacific Fruit and Produce Company versus Modern Food Stores, Inc., et al., held the president of a corporation liable when the corporation became insolvent and it appeared that credit was extended on the strength of a financial statement afterwards found to not correctly reflect the condition of the corporation. The president of the company did not prepare the financial statement, but was consulted by the corporation's manager before the statement was prepared and this fact apparently figured largely in the decision.

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What About the Credit Association for Dentists?

(Continued from page 19)

them not being members, but today they are spending time and money to try and locate this man.

The dental depots should do everything possible to get the men in the dental profession to join the local credit bureaus.

Let us see what information a dentist can get. Recently in one of our dental offices a patient was found to need \$280.00 worth of work to be done in his mouth. The doctor had never seen this man before and made an appointment with him to start the work the next day.

In the meantime, as he was a member of our local credit bureau, he put in a call to the credit bureau for this man's record and this is what he found: This man was rated absolutely N. G. with practically every store in town and there had been a previous record of 17 judgments against him without a single judgment having been satisfied.

The dentist then called to find out what I thought I would do in a case like this. I suggested to him that he size up his patient and ask for \$50.00 or \$100.00 and then make an arrangement with the man that he pay so much a sitting. The final arrangement this dentist reached was a \$50.00 down payment and \$10.00 a sitting and three sittings a week.

This was a case where there were three bridges involved and the dentist prepared all these bridges and did not set a single bridge. The patient went through with his contract and ultimately the bridges were set and the last \$10.00 was paid and the man went out perfectly satisfied.

From his record we are wondering just what would have happened. Our thought is this is what would have happened: The dentist would have gotten \$50.00 or \$100.00 and after the bridges were set in the mouth the dentist could, so to speak, whistle for the balance, as the man was execution proof.

Let us take another case. This is a case where a man and his wife wandered into a dental office entirely unknown to the dentist and the lady had some dental work to

be done. The dentist and the husband reached an agreement of \$50.00 for the work and the money was paid in advance. Then days after the completion of this work the husband himself came back to the dental office and wanted a gold plate made.

Now what had he done? By paying as he did for his wife's work, he had created in the dentist's mind an absolutely clear paying record and the highest regard for his honesty and integrity. The dentist went to work and made up his gold plate and set it in his mouth, expecting of course to get his money when the work was completed.

This is what happened. The patient made a common excuse that being a commissioned salesman, his commissions had not been received and that he was expecting them every day. Then what happened? Six months later the dentist called on me and asked if there was anything I could do to help him collect this account. I, in the meantime, had been pressing the dentist for a past due account he owed our firm.

I suggested I take him over to the credit bureau, he not being a member, and let them look up the record of this man. We found the man had twenty-eight judgments against him and several "profit and loss" accounts that were too small to put in judgment, and his record in every well known establishment in our city was such he could not obtain a cent's worth of credit.

Yet, here is a dentist who went to work and put into his mouth \$250.00 worth of work without getting any reference other than the fact that for the first work he had received his money satisfactorily. I might say this was six years ago and the dentist is still waiting for his money and I believe will continue to wait. The man being execution proof, it was absolutely throwing good money after bad to take any judgment against him.

If our friend, the dentist, had been a member of the credit bureau and cleared his records as he should have done on every single patient that came into his office through the credit bureau, then he could have made satisfactory arrangements to complete the work, but it should not have been set into his mouth until the work was paid for. He would at least have saved

all the gold he had put into this work if the man did not have the money on completion of the work. As it was he lost both the material and his time.

It will pay the dental depots 100 per cent if they can sell dentists the proper way in which to grant credit and that is by clearing their records through the credit bureau. Now we could cite to you hundreds of cases that have come to our attention in the last few years. We would like to give you one more.

We had in our city an oil man selling leases to large oil companies and promoting some small oil companies. At one time this man was very wealthy. His record, however, for a year or two prior to his introduction to our dental friends, had been very bad. He had had one misfortune after the other and lost practically everything he had.

He had a great amount of work to be done in his mouth and he went to one of our very high-class dentists and his bill was \$2,000. That was four years ago and not one penny has our dentist friend been able to collect from the man. He called for assistance on me and I found through the dentist this man had moved out of our territory into a city in which there was a credit bureau. We had the account taken out of an attorney's hands and placed in the hands of the Retail Credit Association in that city and they succeeded in obtaining a judgment against him and collecting \$500.00 of the \$2,000.00 account.

Now this collection department of the Retail Credit Association is watching this man and when he makes another slip by taking some leases in his own name, he will very likely find the payment garnished as he did before. People of this class, I find, make a slip and get caught if they are properly followed.

One more case. This is a case of the collection department and there is a collection department attached to every credit bureau in the United States and they function by a change in the by-laws at our convention held in Toronto, Canada, in June of this year, absolutely the same from one end of the country to the other.

(Continued on page 40)

"Consumer Credit In Tire Industry"

(Continued from page 17)

ard set nationally and be relayed to the waiting credit executive in a period of minutes. This is accomplished through the affiliation of the majority of retail credit bureaus together under the National Retail Credit Association, numbering some 1065 bureaus and approximately 16,000 credit executive members.

One of the best aids that can be given collections is the knowledge that the dealer is a member of the local retail credit association. It is a psychological leverage that is of great value. In addition, our own collection letters are built around an appeal to the debtor to take up our account and save the necessity of reporting the condition of the account (as we are required to do) to the reporting bureau, thus making this information available to the balance of the trade.

Next there are the indirect returns. Our office has often had occasion to cash in directly through the listing of accounts which it has been necessary to charge to profit and loss in the past. In one instance an account was later collected which more than offset the yearly dues to the association because an alert reporter in the credit bureau detected, through a similarity in the spelling of names, that the individual was located at a certain address and was reachable.

One of the most striking examples of the elevation of the standard of our customers is one which is shown time after time to us. The applicant is always told that the application will be cleared through the credit reporting bureau and that he will be advised in a few minutes of the outcome. Occasionally the customer flatly refuses to allow this done, but in every case in two years it has been found that that individual's record would not justify consideration of any kind.

Use of the local credit reporting bureau in the development of new charge business also is a distinct advantage. A part of the account promotion work of my firm is made up of the clearing of a

selected list of prospective customers through the credit reporting bureau. To those on whom favorable reports are received an original letter of invitation to use the account which has been opened for them is forwarded and is followed up regularly. This has been used for many years successfully by the department store, but we believe is somewhat new to the retail tire game.

All of these examples are given to bring out the advantages of the dealer being connected with the local credit bureau and, at the same time, being a fully co-operating member. It pays enormous dividends. From there it is necessary to develop a standard and a procedure which will handle the requisite amount of volume with the least friction, the highest collection percentage with the least percentage of bad debt loss.

Remembering the personal contacts involved and which are absolutely necessary to the successful granting of consumer credit in the tire industry I again repeat that unless it is handled entirely at the source it will not be successful. Right here also I should say a word for my fellow tire credit executives. In no other business is it so necessary that the credit department be a sales department, even literally speaking, but it is also necessary that it act as the emergency brake upon unwise extension before which so many dealers have gone down to ruin. The intelligent extension of consumer credit, for example, in one of our modern one-stop service organizations requires qualifications not many of us have or desire to have, while to say the least the position is no sinecure.

The most successful executive in this line is one who has full power and authority over the credit and collection procedure, without the intrusion of the management except in the definition of the credit policy of the firm. This credit executive must also be in possession of the ability to handle correctly the daily situations which arise, the proof of which is always shown by the condition of the outstanding receivables and the bad debt loss at the end of the accounting period.

What About the Credit Association for Dentists?

(Continued from page 39)

Furthermore, it is compulsory now that every collection department of the Retail Credit Association be fully bonded to protect the collections made by them. Not that we have had any trouble with our collection departments, but we want to be safeguarded where the members of the Retail Credit Association are affiliated with a collection department that they may be protected from anything that might happen in the collection department.

Here was the case of a doctor having an account against a man for \$2,000.00. Forgot to mention the fact this was an M. D. and not a dentist. The man made the statement that this specialist was not called in and therefore refused to pay one cent.

The doctor sought my aid and I called the collection department of the Retail Credit Association. The attorney handling the collections interviewed the debtor, and to make a long story short, the debtor paid the collection expense and paid to the M. D. \$1,000.00.

Now here is a case that we honestly believe if taken into the courts ten chances to one the M. D. would have been badly beaten. The object of the collection departments in most of the Credit Bureaus is to collect the money yet maintain the goodwill and friendship of the debtor towards the creditor and to have him continue as a cash customer.

Now the aims and objects and the accomplishments of the National Retail Credit Association up to date have been:

"To develop and quicken a national interest and spirit in retail credit. To provide an instrument for the exchange of thought. To promote and foster local organizations of retail credit managers. To develop and foster local retail credit rating bureaus. To bring together at frequent intervals (through its service department) all managers of retail credit rating bureaus. To promote and foster methods of education on retail credit. To promote and foster uniform and standardized methods of operation and control of retail credit in its varied forms. To promote and foster uniform terms of payment and methods of collection."

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Creditentials

(Continued from page 9)

west was our great national safety valve. Times were hard on the Atlantic seaboard, the more courageous or rampageous of the people who were thrown out of work packed up their family possessions and started life all over again in the frontier communities. But in 1890 practically the last of the free land in the West was staked out, and this historical fact ushered in a new period of readjustment. It began forty years ago, and we are only now beginning to see some of its effects, and feel them in our own daily lives.

"Certain influences began to make themselves felt, and they tended to postpone the evil day when a final readjustment would have to take place. For one thing, we had the automobile industry. It employs, so I understand, about three and three-quarter million people, directly and indirectly. With the closing of the frontier, this new industry came as a godsend to take up the slack. People who were thrown out of other industries were able to find a living in the automobile industry, either directly or in its side shows. Now, however, there is no new industry in sight comparable to that.

Then we had the big business boom that came with the immense foreign purchases during and after the war. That was brought to an end when European industry got back to producing peace-time products.

We also had the tremendous increase in buying power due to the high-wage theory. Again we had a tremendous increase in buying power made possible by the installment plan, and the first great effect of that is practically through.

The accumulated effect of all these things hasn't entirely worn out. Jones: Things are slowing down. The other day I was at a luncheon with some bankers, and I asked them what next. One said, "New scientific inventions." Well, we may have them and we may not. Another one said, "We have only just begun to discover the possibilities of credit. We think we shall be able to make a much wider use of credit." That, of

course, is problematical, and, in my opinion, possibly very dangerous."

"Whatever the new developments may be, it seems pretty certain to me that another great change is about due. We can't go on forever speeding up industrial processes and inventing new labor-saving devices that throw more and more people out of work without creating what I referred to as a problem of progressive unemployment."

Canby: "You can't be too sure that the national desires are going to remain constant. If you look through books as near us as 1840 and study them for the sort of things people really wanted you will see the sharp difference between what was desired then and now. We may go back to simpler living. If this should happen, then the slowing down of business which you have been talking about will coincide very naturally with a shrinkage in human desires."

Chase: "Suppose by some gift of the gods, we should become a little more intelligent and simply reduce our hours of labor. That would provide more jobs. It would give us a rest from high-pressure salesmanship, and we could begin to create in the United States a genuine culture by providing those goods and services that we really need rather than those which the high-pressure men have forced upon us."

"Let's take a concrete case of a factory employing a thousand men. A new kind of loom is invented we will say, which makes it possible for nine hundred people to produce the same output that formerly required a thousand. You wouldn't have to throw a hundred men out of work. You could keep the full force going, but at 10 per cent less time. They would work say nine hours a day, instead of ten, but they would draw the same wages as before.

VII

ALTHOUGH the current business depression is world-wide, America must go forward independently to recovery and maintain its standard of living." President Hoover recently told the American Bankers' Association.

"Co-operation between the people and the government in amelioration of this situation, is praiseworthy. We are suffering less than other countries, savings are piling up in the banks, our people are paying off installment purchases, and abundant capital is now pressing for new ventures and employment."

These are encouraging words from the President and should confound the pessimistic Percys as Floyd Gibbons describes the wailing Willies.

Business is showing decided improvement and an early return to better times is evident.



Statement of Ownership, Management, Circulation, etc., Required by the Act of Congress of August 24, 1912.

Of CREDIT WORLD, published monthly at St. Louis, Mo., for October 1, 1930.

State of Missouri. } ss.
City of St. Louis.

Before me, a Notary Public in and for the state and county aforesaid, personally appeared Frank C. Hamilton, who, having been duly sworn according to law, deposes and says that he is the editor of the CREDIT WORLD, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Name of	Post Office Address
Publisher, Nat'l Retail Credit Ass'n.	St. Louis, Mo.
Editor, Frank C. Hamilton,	St. Louis, Mo.
Managing Editor, Frank C. Hamilton,	St. Louis, Mo.
Business Manager, Marvin G. Roemer,	St. Louis, Mo.

2. That the owner is: National Retail Credit Ass'n, 1218 Olive Street, St. Louis, Mo.

3. That the known bondholders, mortgagees and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also, in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

FRANK C. HAMILTON.

Sworn to and subscribed before me this 8th day of October, 1930.

(Seal)	MARY E. RIORDAN.
(My commission expires February 6, 1931.)	

Charge It

(Continued from page 29.)

find out what record they have on our friend, Mr. Ozalot?

H. G.: Why, I don't think that is necessary, Miss T.; I have known Henry for several years, but then if you care to go ahead and call.

(Miss T. picks up the telephone on Mr. G.'s desk and calls the Credit Bureau.)

Miss T.: 5231, please.

C. B.: Credit Bureau.

Miss T.: This is Gratehart's Department Store. Could you give us a report on Henry E. Ozalot?

C. B.: Your code number, please?

Miss T.: Code number; why, what do you mean?

C. B.: The number that was given your store?

Miss T.: Oh, well, I have misplaced it; but is that necessary just now?

C. B.: It will be necessary when you call the Credit Bureau, but I will be pleased to call back and give you the code number if you have forgotten it."

Miss T.: I wish you would.

C. B.: Just hold the line, please, I will give you a card reading—Hello. Our records show that Mr. H. E. Ozalot is apparently very poor pay. A department store reports necessary to place for collection an account amounting to \$18.00, eight months past due. Hardware store reports \$2.00 one year past due, still unpaid; neighborhood grocery store reports slow pay. That is all.

Miss T.: Thank you.

Miss T. (to Mr. Gratehart): The Credit Bureau has the following card report on Mr. H. E. Ozalot, and from my recollection Mr. Ozalot still has an account with us that is long past due. This will be adding \$150.00 more for us to carry.

H. G.: Do you mean to say that Mr. Ozalot has that kind of a record?

Miss T.: I am sorry to say that he has.

H. G.: You can look to your club members or friends to put it over you just like that boy did and it isn't the first time that I've paid for a gift for another man's wife. I've been trying for some time to get away from waiting on my personal acquaintances. It's a mighty hard thing to turn 'em down myself. (Thinks.)

H. G.: You seem to know some of the details of our accounts better than I do.

Miss T.: I should, Mr. G., for I'm working on these accounts almost every day.

H. G.: Do you use the credit bureau very often, Miss T.?

Miss T.: I'm sorry to say that we have not, because I have never been instructed to pass on credits; that has been left for your O. K.

H. G.: In the future I want you to take the application of every person who comes in this store asking for credit. I don't care if it's a club member friend of mine, or my own mother, we're going to quit opening accounts here on good looks and good fellowship. Darned if I wouldn't rather have my goods on the shelf than on the books. That kind of business won't make any money for me or make a particularly good showing to my banker.

Miss T.: I think you are right, Mr. G., and I'm glad to do all I can to help you, but you know if I interview customers I should have a place where I can talk to them privately. You know customers are not very anxious to give information that we may require within the hearing of curious persons who might be "listening in." The old adage, "Two is company, three's a crowd," holds good in a credit office. Don't you think so, Mr. G.?

H. G.: I'll have the carpenter put a partition in here; this will give you the necessary privacy. You may use that desk (points to desk).

(Miss T. retires to the desk and Mr. G. proceeds to place a screen between the two desks in Miss T.'s office.)

H. G. (continuing): After this when applications are made I'll send the customer to you and you'll see that they are seated and made comfortable. I am going to tell these customers that I have nothing to do whatever with the credit, and it will be up to you to get all of the information in such a way as to keep them smiling all the time. You will also have to do all of the stalling and handle all the turndowns. In other words, I'm going to pass the buck. No doubt some of the customers won't like it, but if they come to me I'm going to tell 'em that that's a part of your job. You understand?

Miss T.: Fine, I see light for our profit and losses.

Furniture arranged for receiving applicants.)

Scene 2: Enter Credit Bureau manager.

Mr. Protection: Good morning, Mr. G., I'm Mr. Protection from the Credit Bureau. Some one in your office just called for a report. You have not been using the Credit Bureau, which was proved by the fact that you have lost or misplaced the code number that was given you.

H. G.: You have called just in time, Mr. Protection. We must admit that we have not been using the service your organization offers. I have just placed this responsibility upon Miss T. You might speak to her, she is in the next office.

Mr. P. (stepping into next room): Good morning, Miss T., I'm Mr. Protection from the Credit Bureau. I was very pleased to have you call this morning and I am sorry to say that I was surprised.

Miss T.: Well, I was somewhat surprised myself, but unbeknown to Mr. G., and just out of curiosity I attended the last Credit Grantors meetings of the Credit Bureau, and was much surprised to find many of the bookkeepers from other establishments in the city there. I was very interested in the discussion that took place. I succeeded in convincing Mr. G. that you had a service that was valuable to us, and I think in the near future you will find us one of your best customers.

Mr. P.: We certainly will be pleased to be of service to you and I hope that you will use us often. Of course, you must remember that the Credit Bureau only records the paying habits of our citizens. This information must come from firms like yours, in order to give you authentic and up-to-date information. We expect you to give us all of the information that comes to you with reference to the paying habits of your customers, good and bad. I hope that you will not hesitate to answer all requests that the Credit Bureau may make of you by phone or letter. In this way you will find that the Credit Bureau operating as a clearance house, will save the Gratehart's Department Store a considerable amount of money during the year.

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The Drug Store

(Continued from page 36)

OWNER'S INVESTMENT PER DOLLAR OF LIABILITIES

It should be remembered that investments in real estate and strictly personal assets have not been included in this computation. This procedure was followed in order to obtain a figure which would make possible a comparison between merchants who own their property and those who pay rent. The group as a whole showed \$11.45 of owner's capital for each \$1.00 of liabilities. The larger stores showed \$12.45 of owner's capital for each \$1.00 of liabilities. The group of smaller stores showed \$10.65 of owner's investment for each \$1.00 of liabilities. The owner's investment per dollar of liabilities is higher for this group of drug stores than that shown for any other group of retail stores. The ratio for the entire group may also be expressed as follows:

	Per Cent
Owner's investment	91.9
Liabilities	8.1
Total	100.0

SALES PER DOLLAR OF OWNER'S INVESTMENT

The group as a whole secured \$1.88 in annual sales for each \$1.00 of owner's investment. For the group of larger stores, the figure was \$1.70, and for the smaller stores \$2.04.

RATIO OF RENT TO SALES

Only sixteen concerns in this group of drug stores reported the amount of annual rent. For these concerns the annual rent amounted to 4.5 per cent of sales; that is, out of each dollar of sales, $4\frac{1}{2}$ cents was required for rent.

The Mortality of Drug Stores

In 1918 there were 164 independent retail drug stores in operation in the city of Buffalo. Ten years later, or in 1928, seventy-four of these stores, or 45.1 per cent of the original number, were still in business. These figures are in sharp contrast with those upon the mortality of grocery stores. (See article on grocery stores.) In the latter field, it was discovered that of the 1,459 stores listed in the city directory of 1918 only 231, or 15.9 per cent, remained in business in 1928.

The rate of growth in numbers of grocery, drug, hardware and shoe stores, together with the population curve for the city of Buffalo, reveals that the number of drug stores has grown more rapidly than has the number of grocery stores, and that the numbers of both types of stores increased more rapidly than the population until 1926, when the number of grocery stores began to decline, and until 1927, when the number of drug stores decreased.

Two reasons may be suggested for the expansion in the number of drug stores. First, the drug store has so greatly extended the range of its merchandise that it has become, in a restricted sense, a general store, and has thus assumed a somewhat larger place in the trading community. Secondly, the chain stores in Buffalo have not made such inroads upon the business of independent drug stores as they have upon the business of independent grocery stores.

Although the proportion of stores entering and leaving the grocery business each year to the total number of stores engaged in business is much greater than the proportion of drug stores entering and leaving to their total number, yet the year-to-year fluctuations in entrances and exits are greater in the case of the drug stores.

Twenty-six and six-tenths per cent (26.6) of the drug stores cease business after one year, while 60.3 per cent of the grocery stores retire after one year of life.

The reason for this relative stability in the drug business as compared with the grocery business can probably be found in the character of the two trades. Although both drugs and groceries are convenience goods, a substantial part of a druggist's activity consists of professional service. This professional phase must rest upon the confidence of the public, and such confidence ordinarily can be built up only over a period of time. Thus far more good-will attaches to a well established drug store than to a grocery store. In the latter, the patrons buy largely on a price basis; in the former, more upon a basis of quality and care in service.

The Seven Dollar Wage

(Continued from page 35)

when they wanted ever-shortening skirts; circular knit or seamless hose when they wanted full-fashioned stockings; high shoes when they wanted low shoes; veils when they preferred sunburn, and so on.

Millions have been expended in advertising flour to housewives in a time and market of increasing use of baker's bread. Enormous sums have been used to promote cigars and chewing tobacco in a period of increasing demand for cigarettes and of declining demand for cigars and chewing tobacco.

Rarely do consumers become thus class-conscious and militant in their interests as consumers. But there are notable cases since the war as Dr. Nystrom recounts in his recent book on the economics of consumption. During the latter part of 1920, in many parts of the country there was something in the nature of a consumer revolt or uprising of buyers, against the high retail prices of that period. Men and women, more or less spontaneously, joined loosely organized groups to compel a revision of prices. There was much criticism of exorbitant prices of clothing, dramatic overall parades, and some talk of the organization of a great body of consumers into a sort of "middle-class union." Retail trade was hit by this movement, but in a few months it lost its fire and force.

As an indication of the sensitivity of the consuming public to crowd psychology, another wave of economy, this time in the purchase of men's clothing, developed in the summer and fall of 1925, which, according to clothing merchants, partially closed the outlets for these goods during the entire winter of 1925-1926.

The slump that has characterized business since the stock market collapse of a year ago can be attributed mainly to a consumer movement—a sudden caution induced by a fear of depression and unemployment which had not arrived but did arrive as a result of the consumer movement developing into a vicious circle which will eventually run its course.

As Edsel Ford has stated, there will probably never again be such a sudden and radical increase in the scale of wages as that instituted by Henry Ford in 1914.

Charge It

(Continued from page 42)

Miss T.: You know, Mr. P., I really think I'm going to enjoy this work; of course, I'm just beginning this credit investigation service and anything that you can do to help me will certainly be appreciated.

Mr. P.: That's why I'm here. I'm going to leave one of our application for credit forms with you. This will give you all the information necessary in preparing a customer for a charge account. You will find that some customers will resent being asked questions and others will be pleased to have you do so. A customer that is good in paying habits will never hesitate to answer all of the questions that you may ask. I will be glad to have you call any time and remember, we are always ready to serve you.

Miss T.: Thank you, Mr. P. (Enter Mrs. Gozalot, fashionable lady.)

Mrs. G.: Good morning, Mr. G. You know, Mr. G., I've had an account with Clarke & Co. for a long time, but I have just found a dress in your store which I like very much and I wonder if you would send it up and mail me the bill the first of the month?

H. G.: Yes, indeed, Mrs. Gozalot; let us step over and speak to Miss Tactful. You know that the many problems of efficiently operating a store these days have proven so burdensome that I found it necessary to make Miss T. responsible for all the credit details.

Mrs. G.: Oh, I shouldn't think any such formality were necessary. I have accounts at all the other stores. I have never experienced anything of this sort before.

H. G.: Well, you see, Mrs. Gozalot, I insist on giving our customers prompt and painstaking attention at all times. Frequently I was busy out of the store or away from the city, and service would be delayed. Miss T., of course, doesn't know our people as intimately as I do, but she makes up for that by having in the office a simple but accurate and complete record of our customers. She will take care of you I am sure, Mrs. Gozalot, to your satisfaction. Miss T., Mrs. Gozalot would like to arrange for credit accommodations.

(Exit H. G.)

Mrs. G.: Very well, Miss T., what is it that you would like to

know? I really don't understand the necessity for all this formality. If I had known that there was so much to opening an account, I would have continued to trade at the H. C. Prange Co.

Miss T.: The arrangements are very simple, Mrs. Gozalot, and we'll only detain you a moment. Won't you be seated? We are indeed flattered to have this opportunity to place your name on our books. Gozalot is spelled G-o-z-a-l-o-t, and what is your name in full?

Mrs. G.: My husband's name is W. E. Gozalot.

Miss T.: Yes, Mrs. Gozalot, but may we have your husband's given name—W stands for what?

Mrs. G.: He always signs his name W. E. Gozalot; he never uses his first name.

Miss T.: Oh, yes, Mrs. Gozalot, I understand in his business he is so well known that it is quite unnecessary. But you see with us, we have found that it prevents errors and confusion if we wrote out all names in full on our records. This information will be a great assistance to us in serving you precisely and promptly at all times, and it is only for that reason that we ask for it, Mrs. Gozalot.

Mrs. G.: Well, his first name is Walter.

Miss T.: I know that you live on Spruce street, Mrs. G.; what is the exact number?

Mrs. G.: Our home is at 925 Spruce Street.

Miss T.: I believe you own the property at that address, too, do you not?

Mrs. G.: Oh, yes, we own our home and we have a summer place at Gull Lake, and we also own a large farm near Fairmount.

Miss T.: You will be surprised to know, Mrs. G., that it is helpful to have your own given name on our records. We find in these days of women's rights that so many married women sign checks and letters in their own names, that to have the wife's given name prevents many a mistake. Your given name is what?

Mrs. G.: Well, it seems like an awful lot of red tape to me for so small a matter like this, but my given name is Mary Ann, Mary Ann Gozalot. (Merry and Goes a Lot.)

Miss T.: The doctor, I believe is the neurologist at the clinic. I presume he banks at the Bank of Sheboygan?

Mrs. G.: No, Doctor banks with the First National Bank. Well, I suppose that is all. (Gets up to leave.) Was there anything else you wanted to know?

Miss T.: I presume you have accounts at Sells and Jungs?

Mrs. G.: I have accounts at practically every store of importance in town, excepting your store.

Miss T.: That is all the information that is necessary, Mrs. G., and we appreciate your co-operation in giving it to us. We are very glad that you dropped in and we are pleased and flattered that our selection of dresses is in accord with your taste. We are ambitious to extend our clientele by the quality of our merchandise, the fairness of our prices and by the high standard of our service, and we shall spare no pains to give you complete satisfaction. If at any time I may personally be of service to you, Mrs. Gozalot, I'll be happy to have you call on me. Good morning.

(Miss T. goes to the telephone.)

Miss T.: 5231, please.

C. B.: This is the Credit Bureau.

Miss T.: This is the Gratehart's Department Store; may we have a report on Dr. Walter Gozalot, 925 Spruce Street?

C. B.: Just a moment, please. I find that Dr. W. E. Gozalot, neurologist at the clinic, has the following report: A department store reports highest credit \$150, always pays in thirty days, department store \$50 paid in thirty days, grocery \$40 paid in 30 days and hardware. \$10 paid in 30 days. We find they own their property at 925 Spruce street.

Miss T.: Thank you.

Scene 4: Enter Mr. I. Foolsalot.

Mr. F.: Good morning, Miss T. My name is Foolsalot and I'd like to open an account.

Miss T.: Mr. Foolsalot, won't you be seated?

Mr. F.: Certainly.

Miss T.: Mr. Foolsalot, may I have your full name?

Mr. F.: I. Foolsalot.

Miss T.: Mr. Foolsalot, may I have your first name in full?

Mr. F.: Ira.

Miss T.: Have you a middle initial, Mr. Foolsalot?

Mr. F.: I haven't a middle initial.

Miss T.: Where are you living?

Mr. F.: I'm living in Sheboygan now.

Miss T.: But what is your address?

Mr. F.: Jackson Hotel.

Miss T.: How long have you been at the Jackson Hotel?

Mr. F.: You mean just this last time?

Miss T.: Have you been here previously?

Mr. F.: Oh, yes, many times.

Miss T.: How long this last time?

Mr. F.: Oh, a matter of a few days.

Miss T.: Where is your home?

Mr. F.: My home is in Texas.

Miss T.: At what place in Texas, Mr. F.?

Mr. F.: Well, different places; I have been interested in several different projects the last few years and they of course kept me moving about. I've lived in Houston.

Miss T.: How long have you lived in Houston?

Mr. F.: I lived in Houston six months this last time.

Miss T.: And where were you before that Mr. F.?

Mr. F.: Oh, yes, I had a big proposition in Dallas before that.

Miss T.: And how long were you in Dallas, Mr. F.?

Mr. F.: Oh, I don't know exactly, about six months.

Miss T.: Well, Mr. F., we're not particularly interested in your temporary addresses, but what is your permanent address?

Mr. F.: Well, the nature of my work is such that I don't have what might be called a permanent address. I've spent a good deal of time in Washington, D. C.

Miss T.: What is your occupation, Mr. F.?

Mr. F.: Well, I'm interested in a number of oil properties in Texas. I'm also quite heavily interested in an invention for falling aviators. That's going over big. Last I heard from the home office we had been offered \$50,000 for the patent alone. If I had the time I would go into that with you. It would be interesting for you to see the cuts and photos.

Miss T.: What is the name of your company?

Mr. F.: Which company; I have several, you know.

Miss T.: Well, let me have the name of one of the principal ones.

Mr. F.: Well, you see, I'm well known in Texas, and as a matter of fact I came in to Sheboygan

today to interview with Mr. Kohler, but I see that Mr. Kohler is out of town.

Miss T.: Yes, Mr. Kohler, I believe, is in New York for the next few days.

Mr. F.: That's rather unfortunate, because Mr. Kohler knows me well and if he was here you could just call his office and you wouldn't have any further difficulty.

Miss T.: Well, Mr. F., can you give me your bank connections?

Mr. F.: I've had most of my dealings with the First National Bank of Houston and I'm known to the Federal Bank in Washington, D. C. I could furnish any number of references, but I assume that I have already given you more than you need. I wouldn't be bothering with this at all, but I'm a little bit uncomfortable in this northern climate with this light coat; I'm usually pretty hot, you know. This will just be a matter of \$75. Will you instruct the salesman as I go out? I want to take the coat right with me now.

Miss T.: I'm sorry, Mr. F., but there will be a little delay in getting this account open for your charge. As long as you are in a hurry, probably we had better deliver the coat to you at the hotel. The Sheboygan merchants are all members of the Credit Bureau and by agreement all new accounts must first be cleared through their credit bureau. This will take fifteen or twenty minutes for a card reading and unless they have your record on file we shall have to wait for their report. Possibly until tonight or tomorrow morning. But we'll rush the matter with all possible dispatch.

Mr. F.: Well, if I am compelled to wait for that length of time, I had better look elsewhere for a coat. (Rises.) If I hadn't wanted to use the coat right away I wouldn't have asked for these arrangements. I certainly thought anybody as well known as I am would have no trouble buying a coat. They make less fuss over a \$75,000.00 oil deal in Texas than you do here in Sheboygan over a \$75 coat.

Miss T.: I'm very sorry, Mr. F., that there must be this delay, but we'll certainly give your order our very best attention and try to get the coat over to the hotel so that you will not be seriously inconvenienced.

Mr. F.: Very well, I'll expect it over there this afternoon.

(Exit Mr. Foolsalot.)

Scene 5: Miss T. calls the Credit Bureau.)

Miss T.: 5231, please.

C. B.: Credit Bureau.

Miss T.: This is Gratehart's Department Store, we have a customer in the store who is asking for credit privileges. Can you give us information on a party who lives as far away as this party does, Houston, Texas?

C. B.: What is the party's name?

Miss T.: He says it is Mr. I. Foolsalot and gives the First National Bank of Houston, Texas, as credit reference. He says he is known in Houston, but travels quite a bit and is now stopping at the Jackson Hotel.

C. B.: That may not be very hard to get for you. You know, Miss T., your Credit Bureau here in Sheboygan is a member of the National Retail Credit Association. This association is made up of over 1000 credit bureaus. These bureaus are scattered all over the United States and Canada. Just a moment, please.

(Credit Bureau looks in National Roster.)

C. B.: Hello. I find that the Houston Retail Credit Exchange is a member of the National Association. Will you permit me to wire them immediately? Your store to pay for the wire?

Miss T.: Why, I think that will be all right; then you will call us as soon as you hear?

C. B.: We will be pleased to do so.

(C. B. calls Gratehart's Store.)

Miss T.: Gratehart's Department Store.

C. B.: We are in receipt of a wire from the Houston Credit Bureau which reads as follows: Mr. I. Foolsalot, alias M. Bezller, is wanted in Texarkana for selling fake oil stock—notify sheriff—instructions wired your local sheriff. Credit record unfavorable.

Miss T.: I never had any idea that your Credit Bureau was as close to distant credit bureaus as you have proven. I will inform Mr. G. and you can rest assured that we have learned our lesson; we shall be very glad to co-operate with the Credit Bureau hereafter to help make it one of the best service rendering departments of the National Association.

Miss T. (to Mr. G.): You may be interested in knowing that I have used the Credit Bureau on every request that I have received today. They certainly are anxious to serve you. I have come to the conclusion that if we expect to receive information that is helpful to us, we must also give them 100 per cent co-operation. Just think, they sent a telegram to Houston, Texas, for us, and within two hours they received an answer from the Houston Retail Credit Exchange, who are members of the great National Association of Credit Bureaus and would you believe it, a man by the name of I. Foolsalot who wanted credit on a coat was found to be none other than Mr. Bezzler who is wanted by the police department of Texarkana. I presume right now our sheriff is serving papers on him.

I certainly would like to attend the Credit Grantors Meetings regularly, but of course, Mr. Gratehart, that all depends on your decision to have me do so. I can see that these meetings will be a great help to your business and it should be a part of my regular work.

Mr. G.: Well, we are never too old to learn. Miss T., how often are these credit meetings held?

Miss T.: At the present time once a month, but I understand that they are becoming so popular and that so much material is brought before the meeting that it will be necessary to have a meeting twice a month. You see, they do not want to hold the people in the meeting beyond 8 o'clock.

Mr. G.: I am giving you this as definite: You will attend the credit meeting regularly and on such days that you attend the credit meeting I will permit you to come to the office one hour later in the morning and leave one hour earlier in the afternoon. This will make up for the two hours that you spend at the meeting. I do not want you to do anything that you are not properly compensated for. I can see that the time given to these meetings will be time devoted to the interests of this business.

Scene 6: (Enter saleslady followed by Miss Vivian Spendsalot, who has just purchased a new evening gown for \$89.50, a pair of new silk hose \$3.50, and a pair of silver slippers \$12.50.)

Saleslady: Miss T., this is Miss Spendsalot who has just been looking at our party and evening

dresses. She has selected a very nice gown at \$89.50 and a pair of silver slippers at \$12.50 and a pair of hose to match. Miss Spendsalot would like to arrange for an account.

Miss T.: How do you do, Miss Spendsalot. Won't you be seated?

Miss S.: And to think that I am to have it for the dance tonight at the Jackson Hotel.

Miss T.: I know you'll be a sensation, for our Miss Parisien is well known for her taste in selecting gowns. Miss Spendsalot, what is your full name?

Miss S.: Miss Vivian Spendsalot.

Miss T.: What is your address, Miss S.?

Miss S.: 23 Happiness Road.

Miss T.: How long have you lived at this number on Happiness Road?

Miss S.: Oh, about six months.

Miss T.: Where did you live formerly?

Miss S.: At number 13 Putout Place.

Miss T.: How long were you at that address?

Miss S.: Oh, about three months.

Miss T.: What is your employment?

Miss S.: Typist.

Miss T.: By whom are you employed?

Miss S.: By the Chicago & Northwestern Railway.

Miss T.: At what office are you employed, Miss S.?

Miss S.: The local freight.

Miss T.: How long have you been employed by the Northwestern?

Miss S.: Oh, a long time.

Miss T.: How many years, Miss S.?

Miss S.: Oh, let me see—oh, about seven weeks.

Miss T.: Where were you previously employed?

Miss S.: Oh, I worked for Lawyer Jones.

Miss T.: How long did you work for Lawyer Jones.

Miss S.: Oh, almost a year.

Miss T.: How much is your salary, Miss S.?

Miss S.: Oh, my income is \$75 a month, but I expect to get a raise very soon.

Miss T.: Have you a bank connection?

Miss S.: I haven't just now; I did until I fell for Henry's new model.

Miss T.: I suppose you have other accounts?

Miss S.: Well, I don't charge very much. I pay cash a good deal, but I have had accounts at Klein's, Bergner's and Martha's Hat Shop.

Miss T.: As it will take a little while to check your references, have you any other shopping or errands that you could attend to meanwhile?

Miss S. (looks at her watch): That won't take long, will it? Oh, gee whiz, I have a lot to do, and I have an appointment for a marcel. Will it take more than ten minutes?

Miss T.: It won't take more than ten minutes. We'll hurry it right through.

Miss S.: I'm in such a hurry.

Miss T. (calling Credit Bureau): Pardon me.

Miss T.: 5231, please.

C. B.: Credit Bureau.

Miss T.: This is Gratehart's Department Store. May I have a report on Miss Vivian Spendsalot, 23 Happiness Road?

C. B.: Our report shows that Miss Spendsalot owes one department store \$25 four months past due, she is six months delinquent on a \$60 account at another department store, a fur merchant had to repossess a fur coat from her last spring. That is all.

Miss T. (to Miss S.): The accounts you gave me are the only accounts you have, Miss S.? (Hesitates a moment.) I wonder if there could be any mistake in the credit report?

Miss S.: Are you sure that's Miss Vivian Spendsalot? There are lots of other Spendsalots in Sheboygan besides me.

Miss T.: Yes, Vivian Spendsalot, 23 Happiness Road. Have you an account at Martha's Hat Shop?

Miss S.: Oh, I forgot that one.

Miss T.: Haven't you an account at Bergner's?

Miss S.: Oh, gee, I forgot that one too. It is so easy to forget these things.

Miss T.: This report seems to indicate that you are owing \$25 at one department store four months past due, and that you are six months delinquent on a \$60 account at another department store. It seems also that a fur merchant had to repossess a fur coat from you last spring.

Miss S.: Oh, that coat. That was N. G., that calf only wore three or four weeks for nice. It

wore all down the front, and cuffs and everything. He should take that back.

Miss T.: You are also one payment behind on your coupe. Don't you think, Miss S., that in view of the obligations that you already have you had better not burden yourself with this new purchase? There is nothing so valuable to a young business woman as a good credit record, and I think so many girls starting out in business life make a mistake in this matter.

Miss T.: However, after you adjust your present obligations we will be very glad to consider your application.

Miss S.: Does that mean I can't have the dress?

Miss T.: In fairness to yourself, Miss S., as well as the other stores, we could not accommodate you in this way at this time.

Miss S.: Oh, very well then.

(Exit Miss Spendsalot.)

(Enter Mr. Homer Gratehart.)

H. G.: Well, Miss T., how do you think my new plan of handling the credit end of the business is working out?

Miss T.: I think, Mr. Gratehart, it is working out very satisfactorily and that as time goes on it will demonstrate more and more that YOUR decision was wise.

H. G.: I am convinced already that it is the only business-like way to do with this difficult problem, and I am sure that our collections will show up very differently, as well as our losses, at the end of the year.



Washington Bulletin

(Continued from page 38)

(b) Statute of Limitations—Tax Return

The Supreme Court of the United States has held that the statute of limitations does not begin to run in favor of a taxpayer and against the government where the return filed by the taxpayer was a final and complete return, but unverified. (Florsheim Brothers Co., versus 280 U. S. 453; White versus Hood Rubber Company, 280 U. S. 453). These cases established the general rule that limitations apply only under the conditions set forth in laws of Congress, but in a recent case decided August 28 by the Circuit Court of Appeals for the third cir-

cuit, that court held that where a taxpayer files a return in good faith and in substantial compliance with the law but which did not contain sufficient details to accurately compute the tax, still the statute of limitations runs against the government from the date of the filing of the return, and the government could not assess additional taxes after the running of the statute. In the instant case, Commissioner of Internal Revenue versus Stetson & Ellison Company, a subsidiary of Libby, McNeil & Libby, the latter corporation filed a consolidated return including that of the tax return in question under the act of 1918. The Court of Appeals has held that the attempt of the commissioner to assess additional taxes after the running of the five-year period provided under the act of 1918, is invalid.

(c) Usurious Interest—Maryland

Maryland possesses an act permitting loans up to \$300 with personal chattels as security, and with interest at 3½ per cent per month, but when a finance company recently attempted to foreclose a mixed mortgage covering not only chattels but real estate, Chief Judge Dennis, in construing the Maryland act of 1918 on this subject, held that the mortgage could not be enforced against the real estate under the Chattel Loan Act, and in doing so, made the following statement: "It has long been recognized by the average man and financial institution that even small loans secured by real estate mortgage furnish a type of "security" that is "acceptable to ordinary financial institutions" and involves no greater risk than is ordinarily incident to lending money by banks, trust companies and other money lenders to whom marketable security is given, hence should not stagger under a ruinous 42 per cent per annum interest rate."

(d) Trade Marks and Good Will Assets, in Bankruptcy

A recent trade mark decision of interest is that of Woodward et al versus White Satin Mills Corporation, Circuit Court of Appeals, Eighth Circuit, in which the court, following other decisions, and speaking with reference to the sale of good will and trade marks by the trustee of a bankrupt corpora-

tion said that, "They were assets of the bankrupt corporation and passed to the trustee in bankruptcy and by his sale to the purchaser. The passing through bankruptcy of a corporation involves something more than a mere shedding of its debts as a snake sheds its skin; it involves the distribution of its assets among its creditors, not an appropriation thereof by its stockholders."

(e) State Attachments on Exemptions

A decision of some importance to retail credit grantors is that of the United States Circuit Court of Appeals for the third circuit No. 4346, handed down September 4, 1930, in Hukill-Hunter-Coe versus Oliver, trustee. Some states permit attachments where judgments have been obtained containing waivers of exemptions and this decision holds that where certain property has been set aside by the trustee in bankruptcy as exempt property, but is still in his possession, an attachment execution issued in the state court under such judgment will be valid.



The Happy Small Town Has Its Opportunities

(Continued from page 30)

spread out over two or three thousand square miles, each family having its own home, each village having its own playgrounds, motion picture theatre and parks.

Roads will be good and autos so fast and safe that the owners of large farms between the villages will either live in town or be there most of the time, and still manage their acres with ease. Nobody will live more than ten miles from a town with every convenience and with a well developed social life. It will require not more than twenty minutes for the furthest farmer to reach such a town, outside of the Rocky Mountains and parts of the Southwest. This is less time than is now needed to go in a taxicab from Wall Street to the Forty-second Street district in New York City.

That's all forecast, mind you! It isn't true yet. But haven't you seen the signs of its coming? In scores of counties the social life of the county seat has radiated into many smaller communities.

The Retail Hardware Business and its Credit Problems

(Continued from page 27)

SHOWING FINANCIAL AND OPERATING STATISTICS FOR TWENTY-SEVEN OREGON HARDWARE RETAILERS

Ratio	Combined 27 Stores	15 Stores with Sales Below \$50,000	12 Stores with Sales Above \$50,000
1. Current ratio.....	4.6 to 1	6.1 to 1	4.3 to 1
2. Ratio of sales to merchandise.....	2.9 to 1	2.7 to 1	3.1 to 1
3. Number of days' sales in merchandise.....	108 days	116 days	101 days
4. Ratio of sales to receivables.....	6.5 to 1	9.8 to 1	5.8 to 1
5. Number of days' sales in receivables.....	48 days	31 days	54 days
6. Receivables per dollar of merchandise.....	45 cents	28 cents	53 cents
7. Sales per dollar of investment in fixtures.....	\$18.81	\$17.03	\$19.17
8. Owner's investment per dollar of liabilities.....	3.96	5.26	3.52
9. Sales per dollar of owner's investment.....	2.15	1.95	2.23
10. Ratio of rent to sales per cent (12 firms).....	3.5%		

CURRENT RATIO

Table 1 shows the current ratio of this group of twenty-seven hardware retailers to be 4.6 to 1, or \$4.60 of current assets for each \$1.00 of current liabilities. The smaller stores with a ratio of 6.1 to 1 seems to be in a better current position than the larger stores with a ratio of 4.3 to 1. These figures indicate an excellent credit position for this group of retailers. There are, of course, other factors which must be given consideration.

RATIO OF SALES TO MERCHANT- DISE

The ratio of sales to merchandise for the group as a whole is shown to be 2.9 to 1, that is the annual sales were 2.9 times the amount of merchandise inventory. The larger stores apparently turn their merchandise at a slightly more rapid rate than do the smaller stores. This is indicated by a ratio of 3.1 to 1 for the larger stores as compared with a ratio of 2.7 to 1 for the smaller stores.

NUMBER OF DAYS' SALES IN MERCANDISE

The number of days' sales in merchandise is simply another expression of the relation between sales and merchandise. The stores with the larger sales volume kept on the average 101 days' supply of merchandise on hand. The stores with sales volume below \$50,000 kept 116 days' supply of merchandise on hand. The group as a whole maintained a stock of merchandise equal to 108 days' sales.

RATIO OF SALES TO RECEIVABLES

The ratio of sales to receivables for the entire group is shown to be 6.5 to 1, that is, approximately one-sixth of the sales for the year remained uncollected. The position of the group of smaller stores is more satisfactory than that of

the larger stores. The ratio for stores with annual sales volume above \$50,000 is shown to be 5.8 to 1, and for stores with annual sales volume below \$50,000 to be 9.8 to 1. In other words, approximately one-sixth of the annual sales of the larger stores remained uncollected, while only one-tenth of the annual sales of the smaller stores were uncollected.

NUMBER OF DAYS' SALES IN RECEIVABLES

Number of days' sales in receivables is simply another expression of the relation between annual sales and accounts and notes receivable. Fifty-four days' sales remained uncollected for the stores with the larger sales volume, while only thirty-one days' sales were uncollected for the stores with the smaller sales volume. For the group as a whole, the receivables were equal to forty-eight days' sales. The more satisfactory position of the smaller stores is also reflected in these figures.

RECEIVABLES PER DOLLAR OF MERCANDISE

This ratio is another measure of the relative size of the receivables. The larger stores had 53 cents in receivables for each \$1.00 of merchandise, while the smaller stores had only 28 cents in receivables for each \$1.00 of merchandise. The group as a whole had 45 cents in receivables for each \$1.00 of merchandise. These figures indicate further the more satisfactory position of the smaller stores with respect to collections.

SALES PER DOLLAR OF INVEST- MENT IN FIXTURES

This group of hardware retailers had annual sales of \$18.81 for each \$1.00 invested in fixtures and equipment. This ratio varied very little between the two size groups. Those stores with annual sales

volume above \$50,000 obtained \$19.17 in annual sales for each \$1.00 of investment in fixtures and equipment. Stores with annual sales volume below \$50,000 secured \$17.03 in annual sales for each \$1.00 of investment in fixtures and equipment.

OWNER'S INVESTMENT PER DOLLAR OF LIABILITIES

It should be remembered that investments in real estate and strictly personal assets have not been included in this computation. This procedure was followed in order to obtain a figure which would make possible a comparison between merchants who own their property and those who pay rent. The group as a whole showed \$3.96 of owner's capital for each dollar of liabilities. The larger stores showed \$3.52 of owner's investment for each \$1.00 of liabilities. The smaller stores showed \$5.26 for each \$1.00 of liabilities. These figures indicate that the equity of the smaller stores is relatively larger than that of the larger stores. In other words, the larger stores are "trading on the equity" to a greater extent than the group of smaller stores. The ratio for the entire group may also be expressed as follows:

	Per Cent
Owner's investment	79.8
Liabilities	20.2
Total	100.0

SALES PER DOLLAR OF OWNER'S INVESTMENT

The group as a whole secured \$2.15 in annual sales for each \$1.00 of owner's investment. For the group of larger stores the figure was \$2.23, and for the smaller stores \$1.95.

RATIO OF RENT TO SALES

Only twelve firms in this group of hardware retailers reported the amount of annual rent. For these concerns the annual rent amounted to 3.5 per cent of sales; that is, out of each dollar of sales, 3½ cents was required for rent.

If the material dealers all over the country would organize along the lines of Memphis as outlined in the introduction to this article and function through the local Retail Credit Men's Association they would be amazed at the progress they would make in correcting various abuses and the high plane on which competition would be pitched.

Now



10 Seconds to Re-Ink Mun-Kee Stamp Pad

A recent improvement in the construction of the Mun-Kee Stamp Pad makes it possible to re-ink the pad in ten seconds.

Simply insert the spout of the Mun-Kee Ink Can in V-slot on rubber flange, press bottom of can five or six times and pad is re-inked and ready for immediate use. Ink works up evenly to surface by capillary attraction.

Every drop of ink is utilized—fingers are kept clean—imprints are distinct.

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Credit Reports

Collections

AVAILABLE—*A Real Credit Executive*

We know a real retail credit executive. He is now and has been employed for the past 15 years by a few of Detroit's foremost retail establishments. He has so directed his departments that his people work *with* him and not *for* him.

There is no necessity for a change on his part, but he realizes that under present business conditions that real credit executives are at a premium. He is looking for a real opportunity where his services will be mutually profitable.

He is 42—married—fine personality and a real executive capable of managing a store doing a volume in the millions. We are acting for him in preliminary contacts and your inquiries will be held confidential.

Box 124—THE CREDIT WORLD

**MEN
WHO
PLAY
FAIR . . .**



"Suppose I forgot your salary for several months?"

The manager and I were having a little friendly talk about bills. Nothing serious, but I got the impression that he was checking up on me.

"What do you think of a fellow who lets his bills slide?" he said, "...who doesn't pay them until they're long past due?"

Thinking of myself, I replied:

"Well, the man may not be dishonest as far as I can see...he probably has other more pressing demands." "Besides," I blurted out, "his creditors aren't losing anything. They know they'll get their money some time!"

He was thoughtful a minute before answering.

"Not losing anything, eh? Bill, did you ever stop to think that the money you owe your creditors is food and clothes and rent? They

have bills to pay, too. How would you get along if I forgot to pay your salary for several months?"

I admitted that I hadn't thought of it in that way.

"No, most men don't. Another thing they don't realize is that they hurt themselves when they fail to keep their credit good.

"It's this way: When you buy a suit of clothes on credit, you promise to pay within a certain time. The 'certain time' passes and the amount is still unpaid...creditors become skeptical and your good name suffers. Then the time comes when you need credit badly...and you're out of luck!

"Another thing, Bill," he went on, "if you ever want to make real money in this world and *keep* it, you've got to have a good credit standing..."

lack of credit causes more failures than lack of brains!"

I admitted to him before I left that I would be doing myself a favor if I kept my credit good.

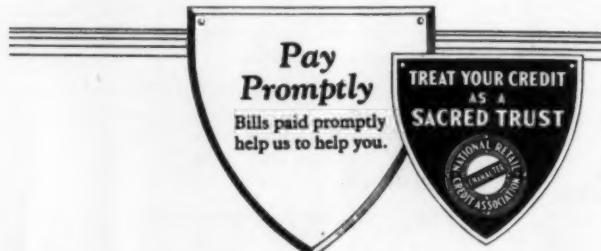
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6000 Building,
Tulsa, Okla.

Please send me Free Booklet "How to Use Credit to Your Best Advantage." No obligation, of course.

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The display above was photographed in Nashville, Tenn., where a merchant committee heard the details of the campaign explained from this demonstration and decided to use the N. R. C. A. copy according to plan. Greenville, S. C., also accepted the plan the previous day.

The Credit Advertising Plan of The National Retail Credit Association

Over 400 communities that are now conducting pay promptly advertising campaigns or who are contemplating the start of a campaign, will receive, before the end of this month, a large 12x14, 52-page book printed by offset lithography which presents, in elaborate detail, a new and effective Theme of advertising.

The pay promptly admonition is negative psychology if presented with sufficient force to be effective. The direct or implied criticism that is always present in advertising of this kind courts the danger of giving the offense that so many merchants fear.

BUT . . . An adroit method of handling the subject fearlessly and tactfully is to let the erring consumer criticize himself, or be criticized by his friends. This is the basic aspect of the N. R. C. A. copyrighted theme.

The advertisement on the opposite page is a typical example of this naive psychology.

 Each book embodies the philosophy of credit, the psychology of the slow payer, the sociology of the paying habit, an explanation of the Theme, details regarding reproduction, media and full size reproduction of advertisements—all consummated by a proposed budget of costs and schedule for running. 

NATIONAL RETAIL CREDIT ASSOCIATION

Department of Advertising and Public Relations

1218 OLIVE STREET

ST. LOUIS, MO.

ANNOUNCING » A « C O N T E S T

Open to All Members of the National Retail Credit Association

IN

A 500 WORD ESSAY ON

Reasons Why I Would Not Be Without My Membership
in the National Retail Credit Association

WITH

P R I Z E S

1st	\$25.00
2nd	15.00
3rd	10.00

Rules . . . Manuscripts must be written on 8½x11 white paper, signed by the author with address and name of Bureau (if there is one in author's town) and mailed to the National Retail Credit Association, 1218 Olive Street, St. Louis Mo., not later than the 31st day of November, 1930.

